FEARLESS - FORWARD LOOKING - FORTNIGHTLY

The MAGAZINE of WALL STREET

Vol. 18 JUNE 10. 1916 No. 5

FORTNIGHTLY ILLUSTRATED

The Industrial Boom

Has it reached its peak? The fate of the new auto combinations, oil promotions, copper mines, etc. By Wm. T. Connors.

Capitalizing the Metal Boom

Some pointers for the would be investor in metal shares, particularly zinc. By a metal authority, James Harvey Lang.

Missouri Pacific

Position of the different securities in the reorganization. Future prospects. An opportunity for investors? By Fred. L. Kurr.

Latin American Investments

Opportunities for investment in the securities of South American railroads and and Municipalities. By Frederick M. Halsey.

The Machinery of Wall Street

A "How" article for the investor who wants to know the workings of the investment world. By G. C. Selden.

IT WILL PAY YOU TO READ THE ANALYSES OF

Sears, Roebuck & Co.
By JOHN F. CONVERSE

Standard Gas & Electric
By E. B. MELVILLE

Goldfield Consolidated
By MALCOLM B. ARMSTRONG

Trading in Wheat—Keeping Track of Your Trades—Wheat Prospects in June—Uncertain Outlook for Cotton—Personality of James J. Hill—Transfer Taxes.

The Largest Circulation of any Financial Publication

Fifteen Cents

Please mention MAGAZINE OF WALL STREET *when writing*

The MAGAZINE of WALL STREET
FEARLESS - FORWARD LOOKING - FORTNIGHTLY

Vol. 18 June 10, 1916 No. 5

THE OUTLOOK

The Presidential Campaign—Reactionary Prices—British Treasury Holdings—Bank Loans—Crop Conditions—The Prospect

WITH the holding of the two great nominating conventions, the Republican this week and the Democratic next week, the campaign will be fairly launched and politics will doubtless become more or less of a factor in the stock market.

The two most important issues of the campaign are already in sight—preparedness and the tariff. In regard to the former there has so far been no marked difference in the attitude of the two parties. The Republicans may be expected to emphasize preparedness more than the Democrats early in the campaign, alleging that the present administration has been dilatory in this respect and in its whole foreign policy, and has acted only when forced to do so by public opinion. But if the preparedness theme proves popular, as now seems likely, the two parties will vie with each other in seeking to arouse the enthusiasm of the people for defensive armament.

The Tariff

EVIDENTLY our tariff policy will be, in this campaign as in most of those for nearly half a century past, a subject for radical differences of political opinion. The Democrats can now point to a condition of great prosperity under a reduced tariff—something that they have not been able to do in the past without going back into the early history of the country.

The Republicans, on the other hand, can justifiably assert that the present tariff has had no real trial; that a condition of general depression immediately after the passing of the law was turned into prosperity only by the extraordinary accident of a world-war in which we were the only important commercial nation remaining neutral.

The dangers of a low tariff after the war will also be set forth in no uncertain terms. The Republicans have in this a new argument, which has arisen since the last tariff act was placed on the legislative books. Poverty-stricken

Europe, thirsting for our great accumulations of gold—about $2,400,000,000 against approximately $2,000,000,000 by England, France and Russia combined —will be represented as ready to "dump" goods on our shores at any price, no matter how low, driving our domestic factories to desperation and forcing wages down to the mere means of subsistence. Against this flood of imports produced by the "pauper labor of Europe"—now more properly called pauper than ever before—an increase in the tariff will be urged as our only protection.

This is not the place to examine the justice or injustice of tariff arguments; but it is clear that there will be elements in this controversy that may prove unsettling to the markets.

General Prices Reactionary

IN our last issue attention was called to the fact that high commodity prices were acting as a check on business activity, in somewhat the same way that high money rates have often operated in the past. This effect is now still plainer and a distinctly reactionary tone in general prices has developed.

There is not much let-up in the demand for war steel and barbed wire, but for other kinds of steel the demand is less pressing. Premiums for prompt delivery have almost disappeared and price concessions are being made by some mills. Southern pig iron, in which the market is generally freer than for most other grades, is being offered at $14.50 Birmingham for July, against previous prices of $15 to $15.50—and this in spite of the fact that iron has had no such sharp advance as steel, copper, or other metals. Increased production is the cause.

Copper in second hands is being freely offered at concessions, spot electrolytic being offered at 28 cents, and July and August at 27 cents. This represents a decline of about 3 cents a pound.

Lead is now 7 cents against 7½ in March, spelter is weak at a further decline, tin is slowly falling. Wheat has declined in spite of a poor crop prospect. And a similar tendency is observable in most other commodities.

There has of course been a great increase in production of all the metals. Offerings by new iron furnaces are largely responsible for the decline in the price and a considerable amount of new steel capacity will be available in the last quarter of 1916. Production of copper, spelter, etc., is breaking all records.

Some apprehension is felt as to the results if new capacity becomes available at the same time that definite prospects of peace begin to appear. In point of fact, this is just what is likely to occur, for every effort will naturally be made to swell production so long as war prices are obtainable.

British Holdings of American Securities

IT is plain that the British Treasury will use every means in its power to compel the surrender of American securities held by foreign investors. It is understood in London that if the new tax of an additional ten per cent. on incomes derived from "dollar securities" does not have the desired effect of inducing holders to turn these securities over to the Treasury, further measures will be taken and it is hinted that these may not prove pleasant for the investors who obstinately cling to their stocks.

The transfer of these securities to the Treasury is politely phrased as a loan, but the right is reserved to sell the securities if necessary, in which case the owner will receive the current market price when they are sold plus a bonus

of $2\frac{1}{2}$ per cent. The owner will also be given the first chance to buy in his own stocks, provided that he pays for them in New York exchange. But these efforts to soften the blow to the investor do not conceal the fact that the Treasury will sell the stocks if the war continues long enough to make it necessary in order to support exchange here at or near $4.76.

Foreign selling in this market has continued so long and the sales have been so well taken that it has almost ceased to be a subject of comment; but it has undoubtedly been the principal factor in preventing our bond prices from responding to an abnormally easy money market and in keeping our railroad stocks from rising in proportion to the big earnings of the roads.

There is no prospect of any early cessation of this selling from abroad. Since it is now being handled largely by the British Treasury, it is not pressed on declines—although it is certainly quite possible that the time may come when that will be necessary. But England will continue to send us our securities whenever our investors show any disposition to buy freely. This is one of the important features that militates against any general rise of our prices.

Effect on Our Bank Loans

A POINT which has been very little emphasized in the press is the effect of foreign selling of securities on our bank loans. New York banks are now pretty well loaned up, the total of their loans being about $1,000,000,000 over a year ago. The banks are carrying large amounts of the British Treasury's accumulations of our securities and will probably have to carry still more under the more vigorous policy now being inaugurated.

Our domestic demand for loans will naturally grow somewhat as the crop movement progresses this summer and fall. When the point is reached where the banks have to call in some of their loans on stock exchange collateral, the effect on our market will be likely to be immediate.

That necessity may be postponed, however, for some time longer. Our recent imports of nearly $30,000,000 gold from Canada tend, of course, to relieve the situation—although the relief may not become evident until after the end of the June tax payments. On the other hand, it is believed that gold available in Canada for shipment to New York is now pretty well exhausted.

Crop Conditions

IT must be conceded that crops are not making the favorable start that would be most desirable. Winter wheat is making some recovery from the very poor conditions in which it emerged into the growing season, but reports from the spring wheat and corn sections are far from enthusiastic. The condition of cotton is below last year and below the ten-year average.

Since prices are no longer at the high war level, it is especially desirable for the prosperity of our farming sections that a good yield should be secured. A big winter wheat crop is no longer a possibility, but there is still time for improvement in most of the other crops.

The General Prospect

CONDITIONS cannot now be considered favorable to the development of any general bull market. The money rate, it is true, is still so low as to be counted on the bull side; but foreign selling of our securities, the abnormally high level of commodity prices—from which a decline now appears to be beginning—the greatly "over-bought" position of many speculative stocks, and the unsettling effect of the Presidential campaign, will make it difficult to initiate any general advance from the present plane of the market, which is, indeed, not far from the highest point reached last fall.

The Personality of James J. Hill

By ONE WHO KNEW HIM WELL

[In requesting the following dry-point pen portrayal of the late James J. Hill we asked the writer, who has known Mr. Hill for years, to give our readers an idea of the great empire builder as he impressed himself upon his friends and associates. The accomplishments of James J. Hill, the captain of industry, are known to all who read, but little of an authoritative character has been written about the fascinating personality of James J. Hill, the man.—Editor.]

JAMES J. HILL was power, and he looked power. His very appearance bore out the strength and domination of his personality. A square bulk of a man he suggested to one interviewer the buffalo of the western plains. He never side-stepped a fight, and was the last to think of compromise. A massive head, set solidly on broad, thick shoulders gave a picture of a lasting and conquering authority.

All his features were large. A large nose, big mouth with rather thick lips, a keen blue eye that bored. He wore a beard that was allowed to grow almost

J. J. BOOTH　　JAMES J. HILL　　SIR JAMES GRANT

This hitherto unpublished photograph was taken on the grounds of the Canadian Government experimental farm at Ottawa, Canada, where the New York State Bankers' Convention met in July, 1913. The man in the silk hat at Mr. Hill's right is J. J. Booth, a wealthy Canadian lumberman, while Sir James Grant is one of the leading physicians of the Dominion.

as it willed, and hair that grew thick, and clustered below his coat collar. He was not careless of his personal appearance, but clothes to him were a matter of minor import. In his later years his black slouch hats were familiar to Wall Street, and his square-toed boots never changed in style.

As a youth he was one of the most powerful men in the Northwest, and until the very end he looked one of the sturdiest. Never did he give the im-

pression of weakened age, and to talk with him, even up to a few weeks before his death, was to receive the impression of strength he always gave.

His youth was spent outdoors. As a boy he labored on his father's farm, as a young man he loaded and unloaded river packets on the docks of old St. Paul, building the constitution that stood the rugged test of later years.

Wall Street did not hear of Jim Hill until he was in middle age. Over 40 when he bought the bankrupt St. Paul & Pacific in 1878, he did not come into the eastern arena until some years later. The railroad world first heard of him as the purchaser of "Hill's folly," a right of way and two streaks of rust running north and northwest from St. Paul. He did not loom large in the east until the consolidation of the Great Northern in 1890, and did not stand forth as one of the great financial figures until Harriman attempted to buy control of the Northern Pacific in 1901.

Jim Hill liked a good story, and he loved to tell one. A keen sense of humor stood him in good stead in all the stress of contention. He could talk on any subject, and, furthermore, enjoyed talking. It was said of him that he dinned his plans in the ears of his early St. Paul friends until they avoided him. But that was the way Jim Hill had of finding out what people thought of him and his plans. Criticism revealed to him the weak points. He often thought aloud, and by airing his views brought new thoughts to his alert mind.

While he professed not to understand the newspaper business, he was one of the keenest in seeing the value of publicity. In his later years, he was likely to say, in response to requests for interviews or magazine articles, "I have had too much advertising. People will begin to think that I am a common scold." But in his heart he knew better.

Statistics were his hobby. He carried figures enough stored away in his mind to have collapsed the brain of the ordinary man. He was particularly proficient in mathematics as a boy in the Rockwood Academy.

Wonderment expressed over his wide knowledge amused him. "Why," he would exclaim, "I simply read. There are facts and figures constantly before men and they don't see them. I do, and when I am asked where I picked them up I am almost ashamed to tell."

Jim Hill's terse comments and homely epigrams made speech with him a delight. Some of the "Hillisms" are:

"I've made my mark on the surface of the earth, and they can't wipe it out."

"Railroading is not like politics; the competent man wins."

"The spur of necessity is a rich heritage."

"Men who succeed are not magicians, but you will probably find they have a capacity for hard work. If causes are created, effects must come."

He loved his family, and the family life, and once said:

"All the real fun a fellow has in life is within the four walls that enclose his family."

Is This the Peak of Industrial Boom?

The After-Effects of Rising Prices

By WILLIAM T. CONNORS

IT is a well known fact that, in all the recent industrial history of this country, business activity and dullness have followed each other with a considerable degree of regularity.

To go back a dozen years, dullness in 1904 was followed by increasing activity until the first part of 1907; then came dullness again in 1908, followed by growing business until early in 1910; dullness in 1911, with improving conditions until the beginning of 1913; depression in 1914, followed by great activity lasting down to the present time.

Tremendous Rise of Prices

The rise and fall of commodity prices is one of the most useful indices of business activity. Improving business is nearly always accompanied by a rising level of prices. This must be so, for better business means a better demand for goods, and a better demand for goods soon brings better prices. And for the same reason a reaction in business soon means a reaction in prices—in fact the decline in prices usually sets in even before we can distinguish any notable decrease in business activity.

Our way of measuring the level of commodity prices is to combine the prices of a large number of standard articles, such as iron, copper, tin, lead, wheat, corn, beef, wool, cotton, etc. A number of indices of commodity prices are compiled on this plan month by month in this country and in Europe. One of those in common use—which is perhaps as good as any—is compiled by *Bradstreet's*. It covers 106 commodities. The movements of this index for a dozen years have been as follows:

Low, 1904	7.63
High, 1907	9.12
Low, 1908	7.72
High, 1910	9.23
Low, 1911	8.45
High, 1912	9.54
Low, 1914	8.62
High, 1916	11.75

It will be seen that the present rise is entirely out of proportion to any previous period of activity. For example, the advance from the low of 1904 to the high of 1907 was 19.5 per cent; from the low of 1908 to the high of 1910, also 19.5 per cent; from the low of 1911 to the high of 1912, 13 per cent; but from the low of 1914 to the high of 1916, the rise was 36.5 per cent—or a little more than double the average rise of the preceding three periods of improving business.

It is also to be noticed that each successive low point has been higher than the preceding low point, so that the total rise from 1904 to 1916 amounts to 54 per cent and brings our present price level to a height that really seems almost sensational. But this point should not be unduly emphasized, because the gradual upward movement of prices since 1894 is based on world-wide causes which are still in effect. The fairer method of analysis is to note the comparative rise of prices from one period of dullness to the succeeding period of activity, as we have done above.

The Advance Has Now Halted

The advance in commodity prices continued steadily, without reaction for even a single month, from September, 1915, to April, 1916, and was exceedingly rapid, amounting to almost exactly 20 per cent. During April the rise halted, the index for May 1 showing a fractional decline, and while the figure for June 1 has not been compiled at this writing, there can be no doubt that it will show a further decline. It is clear that the advance has at least halted and a point of balance has been reached.

Moreover, it is noticeable that, after a sharp and continuous rise to a new high point, the first reaction in com-

modity prices is likely to mark the top for that swing. The factors included in a commodity price index are broader and more general in their application to the economic and business situation than those that are available to the student in any other form, and the result is that these indices are signally free from minor movements. A distinct turn in the tendency is likely to mark the end of a long swing.

Thus in 1907 the advance was steady for nine months and the first reaction was from the top of the swing. In 1909 the rise was uninterrupted for ten months up to January, 1910, and the first reaction was from the top. In 1912 the final movement lasted for seven months without reaction to the top in December of that year.

A two months' reaction, therefore, from the present extraordinary level of prices, is not without significance.

Prices of Leading Materials

The most important advances have naturally been in the prices of those materials which have been needed for war purposes, and the check to the advance has now come in these same materials.

Pig iron has remained almost stationary in price for the last six months. Steel, after advancing very rapidly, has within the last month come to a pause and prices are a little easier. In fact, the reaction in steel prices is much more considerable than is indicated by published quotations, for up to the end of May premiums for prompt delivery were very common, while those premiums have now practically disappeared.

Copper is being held stationary at a level close to the top, so far as American prices are concerned. In London, however, which is really the world's market for copper, considerable irregularity has recently been shown.

The war demand for drugs and chemicals has resulted in prices that two years ago would have seemed like the figments of a midsummer night's dream. Most of these articles are now showing a distinct reactionary tendency.

Grains and cotton are of course considerably below their highest level. Meats are still high. Canned goods and other food products do not show, as a rule, much decline.

The prices of the materials most used in new construction often give us the earliest line on a change in the general tendency, because construction of one kind or another had always, up to 1914, been the basis of our booms. In that respect the present boom is of a new variety, since it is due to the war demand and has not been accompanied by any large amount of construction either in the United States or anywhere else. Nevertheless the war demand has centered to a very great extent on the same materials which are most used in construction, so that the final results have not been so far different as might have been supposed. It is now, as heretofore, the prices of constructive materials that are beginning to yield.

It is perfectly logical to expect the prices of the war stocks to follow, roughly, the prices of war materials, since it has been the special war demand that created the extraordinary price levels for both. When the prices of war materials slacken it means a partial let-up in the war demand.

In fact, under the conditions of the present war the prices of war stocks may naturally be expected to decline earlier and faster than the prices of materials; for our sales have been to the Allies, and they have been bending every effort to put themselves in a position to manufacture their own war munitions and supplies. They can do this much more successfully than they can provide themselves with war materials. So long as the war lasts they will be obliged to call upon us heavily for steel, copper, spelter, wool, foodstuffs, etc.

Some light is shed on this question by our experience during and after the Civil War. Mr. Paul Clay has already called attention to "the paralellism of the prices of war stocks and war commodities" at that time. Highest prices for stocks were made in April, 1864,

and for commodities in the following June and July. In September of that year stocks suffered a severe decline, and both stocks and commodities continued to fall in 1865. A rally followed in 1866, after which the decline was fairly steady until 1870.

It will not do to place too much weight on the experience of the Civil War, as many conditions then were quite different from the present. We were then the nation at war and all the waste and destruction of war fell on us. Now we are the only great nation at peace and are profiting from the imperative necessities of Europe. At the end of the Civil War we had suffered enormous losses. At the end of the present war we shall have a good profit on the credit side.

The position of England during the Franco-Prussian War was considerably like ours at the present time, as she was then the principal neutral nation affected by the war. But that war was so short, and its result became a foregone conclusion so early in the struggle, that England had no real war boom. On the final conclusion of peace she had a short peace boom, but after six months of this came a long period of depression—the result in part of the great waste of capital and wild speculation during and following our Civil War and the Franco-Prussian War.

The Peak of the War Boom

Without attempting to make definite predictions under conditions which we must all recognize are quite unprecedented, there is a strong probability that we have passed or are now passing the peak of our war boom. The demands of the Allies on us for finished munitions of war are likely to decrease, and their use of our war materials, such as steel, copper and food products, can hardly increase beyond the present mark.

For it must be remembered that their ability to pay for our materials is steadily growing less.

It would be difficult for them to sell us more of their bonds.

Our bank loans have risen so sharply that direct bank loans to foreign governments or institutions must in future be smaller.

England has already sold back to us perhaps half of the American securities that can be obtained for that purpose.

The gold held by European banks is badly needed to support their big issues of paper currency, so that the amount they could send us in direct payment for our goods must necessarily be limited.

It would be almost impossible for Europe, under the tremendous strain of the war, to manufacture more goods for export to this country than are new coming forward.

And these five alternatives complete the list. There are no other methods of payment available.

Readjustment Unavoidable

It remains to be seen whether our war boom can be successfullly built over into prosperity based on domestic expansion. Without any question the operation will be a rather delicate one.

So long as the war continues, with its painful destruction of capital accumulated during many years, it will be difficult for us to inaugurate a peace boom. And even if an early ending of the war should give us peace as a basis to work on, it is hard to see how a peace prosperity could be evolved without at least a considerable period of reaction.

The war industries have now become an important part of our business life. When the war demand fails them, they must turn to the arts of peace. This will entail much expense.

The market for capital is still essentially a world market, in spite of the obstructions interposed by the war. The genuine and permanent supply of capital cannot be redundant in America while it is being burned up in Europe at a rate far beyond anything ever before known in the history of the world.

The conclusion seems pretty clear that the after-effect of our tremendous rise of prices must be an important decline, and the probability is strong that we are now near the climax of the upward movement.

MONEY-BANKING-BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

"Our Turn to Rule Seas"—P. H. W. Ross

"ENGLAND has held the supremacy of the seas long enough; it is now our turn," was the statement made by P. H. W. Ross, president of the National Marine League, at the regular monthly dinner of the Foreign Commerce Club held at the Hotel St. Denis in New York. The subject of Mr. Ross' speech was the necessity for building up the foreign commerce of the United States in order to insure a permanent base for American prosperity, and he cited the up-building of a merchant marine as an essential factor in the development of American foreign trade.

"Finance is the hand-maid of commerce, not commerce the servant of finance," said Mr. Ross. "The commercial enterprise of our country, and not its banking strength, is the bedrock upon which the country's economic strength will be built. It is, of course, impossible to maintain commerce without banking strength and banking facilities of every description, but foreign commerce, and foreign commerce alone, is not only the keystone, but the absolute foundation of prosperity throughout the country. By domestic trade we simply go round and round in circles."

THE NEW RECRUIT *From Puck*

Silver's Record Boom

NOT for 23 years has silver reached so high a price as it did when there were insistent demands for the metal at 74⅞ cts. per fine ounce, remarks the *Mining and Engineering World.* In 1893 the average price of silver was 78 cts. per ounce and only during the years 1894, 1895, 1896, 1897, 1900, 1905, 1906, 1907 and 1912 has the price averaged above 60 cts. As compared with the 1915 average price the present price shows a recovery of 24 cts. per ounce. Based on the production of 1915 this would mean an increased revenue to producers of silver of better than $16,000,000.

With the expected continued increase in price and the largely increased output from silver properties and as a by-product from copper and lead properties, it is no far guess to predict that the income of the various producers will fall none short of this increase in 1916.

A continued large demand from abroad is practically assured, for stocks there are extremely low, and there is an increased buying by English and other European mints for coinage purposes.

"Peace Will Test Our Finances"—J. H. Manning

THE United States must be economically prepared to share its part of the burden to be thrown upon civilization by the European war when that conflict is ended was the warning sounded by James H. Manning when he spoke as retiring president of the State Savings Banks Association which recently closed its twenty-third annual convention at the

Hotel Biltmore in New York. The war, he said, would leave this country with new problems and conditions. The financiers and business men of the United States must adjust themselves to new conditions.

"In Europe, with millions of men returning from the battlefields and other millions to be supported in their helplessness, wages are sure to come down and painful savings become the law of life. If after the war the workingmen of this country continue to have steady employment it will be by the use of domestic capital, and, as the shrewd, farseeing James J. Hill has recently warned us, capital is likely to be a 'shy bird' for some time after the close of this frightful conflict."

"Restrain Speculation"—Secretary McAdoo

SECRETARY McADOO in a speech before the Chamber of Commerce at Raleigh, N. C., said the United States

WILL HE GET AWAY?
From the New Haven Times-Leader

was enjoying the greatest era of prosperity in its history, and that the outlook for the future of the country never had been so bright before.

"The Federal Reserve Act, which is now generally conceded to be the most constructive measure placed upon our statute books in a half century, is the greatest contributing factor in the happy condition," he said. "We have successfully withstood the shock of the European cataclysm, and have rebounded into the most unexampled prosperity any nation has ever known.

"The duty devolves upon the bankers of the United States because the responsibility rests primarily upon them, to curb speculation and to restrain inflationary tendencies. The Federal Reserve Board at Washington will use its great power to assist in the wholesome use of the great credit resources of the country, and to prevent unhealthful tendencies; but the banks themselves have the chief power and responsibility.

"When I speak this word of caution about speculation and inflation, I must at the same time express my lack of sympathy with the views so strenuously put forward, and I think for selfish motives primarily, by some people, and by many partisans, for political purposes, that the United States must face a period of serious depression, if not possible disaster, upon the conclusion of peace in Europe. Some people are undoubtedly honestly impressed by these claims and are genuinely apprehensive about the future. Aside from the partisan purpose of this propaganda, unreasonable fear alone seems to me to be at the basis of all honest apprehension on this score."

Widespread Inflation in Commodity Prices

A WIDESPREAD impression exists that an irresistible inflation of the prices of all commodities is in process in the United States, says the *Economic World*. This asserted phenomenon is the common talk of our men of affairs at the present time, and the great majority of them accept it unquestioningly as a major fact of the course of business in the immediate future.

The psychological influence of the belief in the great commodities markets, like that for cotton, is profound. Extensive speculative operations are predicated upon its correctness. Large numbers of persons are at this moment more or less heavily committed in actual cotton or in contracts for the future delivery of cotton, because of their conviction that an inflationary rise of prices is under way and that this rise will yield them a large profit, irrespective of all the usual considerations of supply and demand. The same is true of others of the concentrated markets; it is likewise true to a large extent of the general commodities markets, wholesale and retail.

Metal Prices Will Be Lower

"SOME of the metals that soared to phenomenal prices have fallen and are going to fall farther. The most spectacular decline has been in quicksilver," says the *Engineering and Mining Journal*.

"This metal, ordinarily worth $40@$45 a flask, rose to about $300, but is down to about $90 in a market that looks none too good. The British government released a sufficient supply for the making of explosives. Antimony, from about 45 cents a

pound, has lately declined to about 31 cents. Tungsten ore has fallen from about $85 per unit to about $45. Increasing production is the explanation. Spelter has declined several times on selling by interests that thought they saw the end of the boom and rallied smartly when they found they had been mistaken. Several signs will indicate a permanent turn, viz., contraction of the premium for high-grade, intermediate and brass spelters, reselling by consumers, and accumulation of unsold producers' stocks."

HER NEW FAVORITE!

"We Should Be Conservative"—Ripley

PRESIDENT RIPLEY of Atchison, upon his return from California, where he spends every winter, said to *The Wall Street Journal:*

"There is likely to be as much business in this country as we all can take care of the remainder of 1916, especially if crops turn out as well as they promise. I never before at this period knew of better crop indications generally. I think the impetus the war has given to industry and commerce in the United States will remain a while after the war and some of it may be permanent, but let us not forget that our great activity is the result of the war, which is just destruction. I have no idea how long the war will last, nor do I think anybody can have, but I believe we should all be conservative. That is not pessimism on my part.

"The railroads are making money of course, and their ratio of net to gross is large, as it should be. There has been good management right along, but a sudden accession of business does not increase expenses proportionately. A large portion of the expenses is fixed and necessarily the net increases faster than the gross, just as when gross decreases rapidly, expenses cannot be reduced relatively."

"Year's Steel Prosperity Ahead"—E. H. Gary

THE necessity of adequate and proper protection to American industries was pointed out by Elbert H. Gary, Chairman of the Board of the United States Steel Corporation, in addressing the American Iron & Steel Institute at its annual meeting at the Waldorf-Astoria. Mr. Gary referred to the depressed business conditions prevailing before the war, and predicted a return of these conditions unless our tariff laws are improved.

"The steel industry is good—better than ever before. There have recently been publications to the effect that there is a falling off in new orders, and this may be true to a slight extent, but the daily bookings generally are larger in volume than the total producing capacity, and as the unfinished orders on hand are sufficient to keep the mills busy for the remainder of this calendar year and a large portion of 1917, there is not much, if any, cause for concern on the part of manufacturers for the next twelve months at least. We could hope that we had been permitted to continue co-operation on a basis that would have influenced greater stability in prices, higher in times of depression and lower in times of great activity, for it would have been satisfactory and beneficial to both producer and consumer and to their employees; but circumstances over which we had no control brought about a change in this particular. Public sentiment may bring about a restoration of the former and better methods. Who can tell? We know, at least, that conditions in our industry are infinitely better than they were fifteen years ago or more."

"Our Duty to Help Sister Republics"—Warburg

SPEAKING on the "New Opportunities for American Commerce and Industry," Paul M. Warburg, of the Federal Reserve Board, before the Economic Club at the Hotel Astor, gave his experience, while in South America recently. Mr. Warburg spoke in enthusiastic terms as to the chances for doing business in Latin America.

"When we look into the future we ponder and wonder how these countries will manage to carry the burden under which they have to struggle. While we still hope that the load will not smother them, there is no doubt but that it will absorb so much of their strength

that other countries that in the past have been developed largely by the excess saving power of some of these nations will, for years to come, find this fountain run dry, or at least drastically reduced.

"Let me express only these general thoughts: Europe's saving power being crippled, while our financial power has grown by her misfortune, there is no doubt that it will be both our opportunity and our duty to assist in developing the resources and industries of those of our sister republics that are still dependent upon foreign credit for the completion of their economic development."

May Interest and Dividend Payments

TOTAL interest and dividend disbursements last month, according to *The Journal of Commerce,* will reach $136,696,750, against $127,093,844 in May a year ago. Stockholders will receive $52,696,750, against $47,593,844, while interest payments will approximate $84,000,000, against $79,500,000 in the corresponding month a year ago.

A summary of May dividend payments, with comparisons a year ago, are given herewith:

From the St. Louis Post-Dispatch

A LIVE GHOST
THOUGH DISSOLVED, THE OIL TRUST IS MORE PROSPEROUS THAN EVER

MAY DIVIDEND PAYMENTS

	1916	*1915
Industrials	$26,257,794	$21,629,888
Steam railroads	20,775,858	20,675,858
Street railways	3,263,098	3,088,098
City, bank and trust companies	2,400,000	2,200,000
Total	$52,696,750	$47,593,844

The complete record of the payments made by industrial corporations by months since 1913 is as follows:

	1916	1915	1914
January	$58,389,263	$44,906,279	$51,275,631
February	33,762,832	25,111,873	25,111,873
March	48,381,818	30,590,131	36,299,404
April	55,880,653	42,660,923	49,403,160
May	26,257,794	21,629,888	25,188,845
Total	$212,672,360	$164,899,094	$187,278,913
June	....	27,942,551	38,697,578
July	....	51,183,957	53,722,313
August	....	25,643,495	27,288,499
September	....	30,764,039	30,156,701
October	....	60,257,752	47,255,231
November	....	30,202,511	23,387,991
December	....	38,046,201	27,772,374
Total for year	....	$428,939,600	$435,559,595

* Figures revised.

Country-Wide Financial Opinion

National City Bank of Chicago.—New interest in the money market outlook has been given by the resumption of the importations of Canadian gold. These consignments are likely to aggregate a large total and will be of benefit in strengthening Great Britain's credit balance in the United

Sykes in the Philadelphia Evening Ledger

THAT HIRED MAN

States. Although various explanations have been put forth to account for the resumption of this inward gold movement, there has been no official statement made concerning the character of the shipments, nor the express purpose for which they were intended. A sensible explanation is provided by the dimensions of our merchandise export movement and the resultant position of the foreign exchange market. These developments show, however, that the London bankers are desirous of doing what they can to protect the American market from possible disturbance.

A. A. Housman.—We are a little bit helpless when confronted by the unexpected. It takes time to get adjusted. Moreover, we are so much in the habit of trusting the stock market's verdict on values that when the quotation for a stock cannot be reconciled with what we think we know about that stock, we say: "The market must be right. There is something we don't know." We would rather trust the price than our sense of value. And that is because generally the market, as events prove, is the better guide; it represents not the judgment of one person or two, which would be fallible, but the average judgment of a great many persons,—of all who are interested in a stock at a given time.

Hayden, Stone & Co.—For operations covering any length of time, we cannot but feel that the conservative course is the wisest to pursue.

Merrill, Lynch & Co.—We preach conservatism in investment and speculation, without wishing to appear alarmists.

Tucker, Hayes & Bartholomew.—For the immediate future we look for a rather quiet market with more or less irregularity.

J. S. Bache & Co.—Railroads are evidently in for a considerable period of large net earnings. Roads now are showing the greatest transportation activity ever recorded, with profits larger perhaps than ever before. As the weeks and months pass, the business of the country becomes less dependent upon war orders, and domestic business has developed a healthy prosperous swing of large proportions, which bids fair to continue, irrespective of politics or international events.

The power of trade is so great that once in full motion, it overrides all minor happenings, especially in the political world, and even in the physical world, because the campaign is manned by thousands of alert brains, intent upon one object—that of making a success of business and able to meet and overcome almost all transient obstacles. It looks now as though even the coming of peace, when it does come, would not seriously interfere with this impetus of general business, because the ability and efficiency of the vast army engaged will meet and overcome even such radical changes as may then present themselves.

With securities of the better class placed in such position, with strong and favorable underlying conditions and prospects, investment opportunities, at least, are especially attractive.

Schmidt & Gallatin.—The continuance of the present war until definite military or naval advantage has been gained by one side or the other will make necessary further purchases of munitions in the United States for the account of the Allies; we do not agree with those who claim that England, France and Russia have mobilized their industries to the extent that they will in the future supply their own needs and be independent of us for shells and war material. As the war progresses to a definite close it will prove more and more necessary to withdraw men from general industry and the munition factories for service on the fighting lines.

Richardson, Hill & Co.—One handicap from which the stock market is suffering is lack of public interest in speculation as applied to listed stocks. An enormous amount of money has been diverted from this channel into new industrial flotations and underwritings, most of which, with one or two conspicuous exceptions have been very profitable ventures. Naturally, this curtails the buying power and limits the extent of price fluctuations in standard shares.

The Money Market

Fall of Reserves—Prospects for Remainder of 1916

THE drop in excess reserves of New York banking institutions to $55,-850,000—which compares with $175,000,000 as late as January 29 and a high record of $224,000,000 last September—has attracted considerable comment and it doubtless foreshadows a somewhat firmer money rate before many months pass. Nevertheless it must be remembered that we are now entering the summer season, when money is normally plentiful, so that any further permanent reduction of reserves is likely to be postponed until fall at least.

During the remainder of June payments to the sub-treasury will be unusually heavy on account of the income tax, but this will have a temporary effect only. After July 1 the Government expenditures will be greater than income, so that cash will be returned to the banks.

The ratio of deposits to loans, a useful indication of the general banking position, is now about 103, after having been as high as 113 per cent. at the high tide of last October. Three per cent. is, however, a reasonable excess of deposits over loans, as measured by conditions existing before the Federal Reserve system went into effect. The stock market has not, in the past, been much affected by the rise of loans untill the excess of deposits over loans entirely disappeared.

A level of deposits equal to 113 per cent. of loans, such as existed last fall, has not been approached before since the extreme business depression of 1894, when the demand for money fell almost to nothing and call loans went below one per cent. The rise in deposits last fall was due to wholly exceptional conditions arising from the war and occurred for the most part in about two months, from the middle of August to the middle of October. Since then the decline has been uninterrupted to the present time, but the excess of deposits now nearly down to a level from which some recovery is possible and even probable.

A peculiar feature of the fall of bank reserves is that none of the cash has left the country. A large part of it has gone to the U. S. Treasury, the payments of the New York Clearing-House to the Sub-Treasury having been nearly $75,000,000 on balance from February 1 to date. A good deal of gold has been segregated for the account of foreign banking institutions, the exact amount being unknown, and has thus dropped out of New York reserves. The Federal Reserve Banks have absorbed gold, and the remainder of the loss in reserves is accounted for by the movement of money to interior banks.

The movement of the crops this fall, in addition to the needs of general business, will increase the money requirements of the interior, so that reserves are likely to be further reduced, and it is probable that the Federal Reserve system will then receive its first real trial under conditions something like normal. If we have a rising money rate the provision of the law which permits the issue of Federal Bank notes based on commercial paper will come into play and will prevent anything like tight money. Just how much rates can rise under these new conditions remains to be seen, but there is no probability of any early advance that will affect the supply of money for general business uses.

The stock market is of course more quickly affected by higher money rates than other lines of business. Loans on stock market collateral are now rather large, although not so heavy that they could not stand a further increase on a continuance of the present easy money conditions; but it is quite possible that an advance in money might lead to some selling of stocks by pools and big speculative investors who are now borrowing heavily to carry their holdings.

The Machinery of Wall Street

Why It Exists, How It Works and What It Accomplishes

VI. The Bond Market

By G. C. SELDEN

WHEN a corporation desires to attract capital, for the prosecution of an enterprise that its managers believe will prove profitable, it will naturally offer for sale different classes of securities adapted to the varied requirements of the numerous investors who are to be interested.

For the man who wants to be an actual partner in the enterprise, to take the risk of its failure along with the possibility of very large profits, the common stock is created. For the more conservative investor, but who nevertheless wants a good interest return, one or more classes of preferred stock are issued.

But a large class of investors do not want any share in the enterprises at all—they simply want interest on their money. For them bonds are offered, bearing a fixed rate of interest and payable in cash at maturity.

What Is a Bond?

The bond itself is nothing but a note under seal. In that particular all bonds are alike. But the essential feature of a bond is the security behind it, and in that bonds vary in almost every conceivable way.

There may in fact be no security behind the bond. It may be nothing but the corporation's promise to pay—an unsecured note—as in the case of the debenture bond. Such a bond is a lien on the assets of the company, but not on any specified assets. Hence all creditors who have any specified liens on particular assets must be satisfied before the holders of the debenture bonds can get anything.

Almost any sort of provision can be inserted in a bond. For example, there is the income bond, on which interest is payable if it is earned and not otherwise. The only way in which it differs from the first preferred stock is that it has a definite date of maturity while the stock has no maturity. It is a very poor class of security and is now rarely issued. The object in creating an income bond is to attach a high sounding name to a low grade of security.

The great majority of bonds, however, are secured by mortgage. Such a bond is practically a fraction of a mortgage; that is, each bond is a note under seal, and its security consists of a fraction of a mortgage which covers all the bonds of that class together.

The property covered by the mortgage is explained in the bond, and is of course specified more exactly in the mortgage itself. It may be a first, second or third mortgage, in which case the first must be satisfied before the second, the second before the third, etc.

It may be a "general" mortgage, covering a great deal of property on which other mortgages have already been placed—the other mortgages constituting "prior liens." In such cases a long investigation is usually necessary to find out exactly what security lies behind the general mortgage. The individual investor is hardly ever in a position to make such an investigation and he has to depend on his bond dealer to make it for him. For this reason he should deal only with bond houses of established reputation.

The name of a bond tells nothing about its degree of safety. For example, a debenture bond, which is an unsecured note, may be a great deal better than a mortgage bond. It depends on what other securities precede the bond in each case and on the amount of assets available for that particular bond. A municipal bond is practically a debenture, but since it is not preceded by any other form of security it constitutes a lien on the property within the municipality and therefore

as a rule ranks very high. Some industrial corporations have no bonds outstanding except a small amount of debentures, and their bonds therefore may rank much higher than the general mortgage bonds of a railroad which is liberally plastered with prior liens.

Some very odd situations are encountered in the study of bonds. There is a small railroad in the South which has no securities outstanding except first mortgage bonds and short term notes for floating indebtedness. In this case the bonds are about equivalent to stock; for the notes mature first and being all construction liens of one kind or another they get the first crack at the assets. The bondholders are the sole owners of the property, but nevertheless they are entitled only to their interest and payment at maturity. If a big surplus should be built up it would belong to the company, but no individual could get any of it without a change in the form of the organization.

The convertible bond should perhaps be classed as the highest form of security which can be issued—provided, of course, that it is well secured by having plenty of assets behind it. A convertible bond is one which may be turned into some other form of security—usually stock—under conditions specified therein. For example, take a debenture bond having abundant assets behind it and convertible into common stock at par at the option of the holder—a common form of convertibility. So long as the company's earnings on its stock are small, the owner of the bond draws his regular interest as a bondholder; but if earnings become large, so that the stock sells above par, he can convert his bond into stock and thus participate in the profits on the stock.

A fact not unusually mentioned is that the existence of convertible bonds operates against the interests of the stockholders, for the amount of stock outstanding is automatically increased when the earnings become large enough to carry the stock above the conversion price. The possibilities of profit on the stock are cut down by an amount equal to the participation of the bonds.

It is evident, then, that the investor cannot allow himself to be influenced in the least by the name of any security that may be offered to him. There is no magic in the word "bond." It is necessary to go further and find what security lies behind the bond and what prior liens precede the bond in their claim on the assets or on the specified property on which the bond is based.

The Market for Bonds

Nearly all railroad bonds are listed on the Stock Exchange and traded in on the floor. Many other bonds of which large amounts are outstanding, so that buying and selling of them is frequent, are also listed.

Only a small part of the total trade in bonds, however, is transacted on the Exchange, because of the immense multiplication of the number of issues. Most of the dealings in bonds proceed "over the counter" and the proportion of the bond trade on the Stock Exchange to that outside is growing steadily smaller.

The "bond house" occupies a very important position in the Street. When an issue of bonds is contemplated the issuing corporation usually seeks the assistance of one or more of the leading bond houses in placing the bonds among investors. This is necessary because the private investor has not the facilities for investigating the assets behind the bond or determining its value. It is the business of the bond house to make the investigation and if the conditions under which the bond is issued are found to be satisfactory it is then offered to the customers of the house at what is considered to be a fair price.

For this service the bond house makes a profit which on the average is considerably less than it would cost the investor to investigate for himself, to say nothing of the fact that the investigation is likely to be much more thorough and dependable. The standing of the house is at stake with every bond it offers to its customers; there-

fore self-interest requires every effort to avoid mistakes.

Many bond houses acquire such a reputation for care and conservatism that their endorsement of a bond guarantees the success of the issue. Investors know that the house would not touch the bond if it was not "all right." In that way the well managed bond house gets a following which gives it great power in the Street.

Some banking houses take the most extravagant precautions before endorsing a security. One such house recently called in an expert and asked him to look up a certain bond. He told the manager that the bond had already been investigated by a well-known authority and the report was available, and that he doubted whether he could add anything to it. The manager, however, replied that he already had that report but wanted the expert to make an independent investigation and confirm it or otherwise as the facts might warrant.

The result was that the expert went to the property in question and studied it as though he had never heard of it before. His bill amounted to nearly $2,000 and yet he was unable to add anything of importance to the facts previously in hand. But the banking house was perfectly satisfied.

With Accrued Interest.

Bonds are commonly dealt in "with interest." For example, if the value of a bond is par when no account is taken of interest, it would be worth 103 the day before a three per cent. coupon was payable. If the coupon was semi-annual, the bond would be worth about 101½ three months before the date of payment, and so on.

The prices of many bonds change but little. Hence if they were dealt in "flat," or without regard to interest, the price would gradually crawl up from one interest payment to the next, when the interest would be paid and the price would go back and take a fresh start. A price quoted on a bond at any time would result in loss of the interest if the buyer took up the offer a month later.

This caused so many complications that the custom was adopted of quoting bonds at a certain price "and accrued interest." A six per cent. bond quoted at par and interest three months after the date the last coupon was due would, for example, sell at about 101½.

Bond Yields

Another complication in fixing the value of a bond lies in the fact that it is to be paid off at par when it matures although it may in the mean time sell considerably above or below par.

The method usually adopted assumes that the investor will reinvest his interest at the same rate as the yield on the bond and elaborate tables are compiled which show the investor just what his actual yield will be on a bond at any rate of interest and due in any number of years.

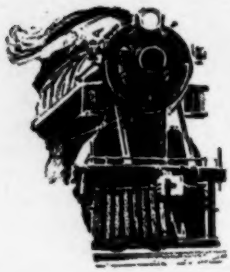
This method, is however, open to some objections. It assumes that an investor holding two bonds yielding respectively 6 per cent. and 4 per cent. will reinvest the interest from the first at an average rate of 6 per cent. and the interest from the second at 4 per cent. This he may not be able to do.

A fairer method would be to figure the interest rate on the reinvested sums at an average normal interest rate for the entire period; but what is such an average interest rate and how could it be determined? It is evident that there is no such thing as a general average interest rate. Interest varies according to conditions—with the money market and with the character of the investment. We could not even find an average interest rate for past years, to say nothing of estimating it for the next 20 years.

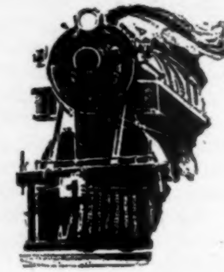
It is probable, therefore, that the customary method is as good as any that would be practicable. It assumes that an investor holding a bond yielding 6 per cent. will be likely to seek a similar investment for his interest payments as they become available, and that the holder of a bond yielding 4 per cent. will follow the same principle.

NOTE—The next article will discuss the methods of handling business on the Stock Exchange.

RAILWAYS & INDUSTRIALS



Missouri Pacific

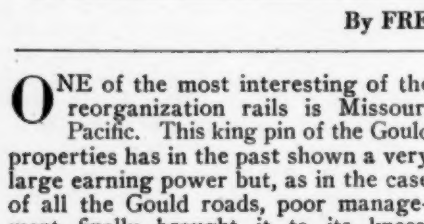


What the Proposed Reorganization Plan Will Do for This Property—Its Present Efficient Management — Outlook for the Stock

By FRED L. KURR

ONE of the most interesting of the reorganization rails is Missouri Pacific. This king pin of the Gould properties has in the past shown a very large earning power but, as in the case of all the Gould roads, poor management finally brought it to its knees. There is no question but that Missouri Pacific has always been a road of great possibilities. A glance at the accompanying map will show how it spreads itself through the rich middle western territory, tapping the bituminous coal fields, touching such important centers as St. Louis, Kansas City and Omaha and extending down to the Gulf.

The downward course of Missouri Pacific during the last decade has been a more or less steady one. While gross earnings have shown a very consistant increase net has not increased in proportion. For example, in 1907 gross earnings totaled $48,703,343 and in 1915 gross had increased nearly $10,000,000 to $58,209,206. Not so with net. This item in 1907 was $16,188,272, whereas in 1915 it only stood at $15,649,636. When gross shows an increase of nearly $10,000,000 and net a falling off of a million and a half there can be only one explanation—a decrease in efficiency. The operating standards of the road were not maintained as they should have been. It is true that freight and passenger rates have decreased and that the cost of labor has increased, but other roads have been able to meet these handicaps and prosper. About the only real ability the past management appeared to have was the floating of new securities. At that they were fairly successful as they succeeded in increasing the fixed charges of the road from $10,056,388 in 1906 to $15,397,361 in 1915. (See Table 1).



Efficient Management

Missouri Pacific security holders can congratulate themselves on one thing at least and that is that this nightmare of incompetent management is at an end. There is no better railroad or-

ganization in the country than that headed by B. F. Bush. Under the guidance of such a practical railroad man as Mr. Bush the future of Missouri Pacific should unquestionably be regarded with optimism. Mr. Bush has already done wonders for the system, it is indeed a new Missouri Pacific since he took hold. For the fiscal year ended June 30, 1915, in spite of the fact that the revenue tonnage fell off somewhat, the management succeeded in raising both the freight density and the average freight train load to new high figures. Train mile earnings were also better, notwithstanding the fact that average freight rates ranged somewhat lower. This speaks well for the increased efficiency of the road and 1916 results in this respect will be still better.

Unquestionably Missouri Pacific is now in the best physical condition in its history. More money will have been spent on the maintenance of the road this year than ever before. Take for example the nine months ended March 31, 1916. Gross increased $3,309,754 but in spite of the fact that the transportation ratio was reduced to 31.91% this year as against 35.41% the previous year, net only increased $563,700. The big bulk of the increased earnings being put into betterments.

Improvements

These betterments include new rails, ballast, ties, etc. and rebuilding and strengthening 12,000 of the company's freight cars. This latter is an important improvement and greatly strengthens the company's equipment position at a critical time. It is hard to get freight cars now except at very fancy prices. For several months at least Missouri Pacific is assured a heavy tonnage over its lines and is in a position to handle it efficiently and economically.

Another point that indicates that the road's present management has been "on the job" is the substantial decrease in the payments on loss and damage claims. In 1911, which is just before the present management took hold, the loss on claims amounted to 2.63% of gross freight revenues. In 1915 this was reduced to 2% which meant a saving of around $700,000. A saving such as this cannot be made without the most careful attention to details. Car roofs must not leak, cars must be properly handled and loaded. Freight must be gotten to its destination as per agreements. There are few leaks in Missouri Pacific now.

TABLE I

MISSOURI PACIFIC'S EARNINGS

Years Ended June 30.

	Gross	Net	Other Income	Total Income	Fixed Charges	Balance
1915	$58,209,206	$15,649,636	$1,103.175	$14,156,814	$15,397,361	*$1,240,546
1914	59,985,731	16,598,164	1,130.721	15,215,452	15,140,760	74,692
1913	62,155,506	17,363,505	2,463.599	17,512,755	15,950,021	1,562,734
1912	54,503,250	13,101,805	2,237.460	13,095,886	15,074,977	*1,979,091
1911	52,776,591	9,360,574	1,809.557	9,186,343	14,418,882	*5,232,539
1910	53,019,137	15,471,765	1,893.731	15,462,491	12,703,080	2,759,411
1909	46,385,543	12,459,030	1,694.044	12,437,315	11,372,806	1,064,509
1908	44,238,703	12,592,415	2,875,298	13,823,657	10,837,940	2,985,717
1907	48,703,343	16,188,272	3,283.283	17,987,606	10,289,503	7,698,103
1906	44,566,821	14,284,416	3,558.911	16,385,403	10,056,388	6,329,015

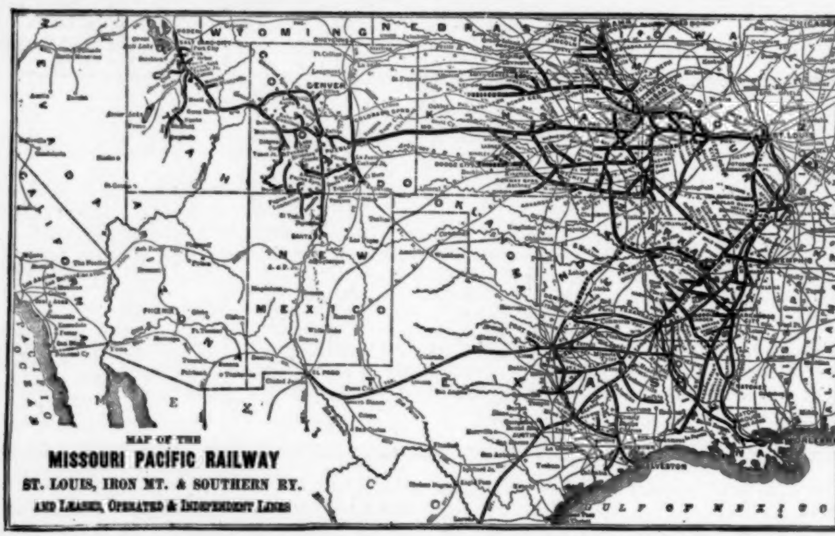
*Deficit.

Reorganization Plan

Let us now see what the proposed reorganization will do to properly strengthen the financial structure of the company. There is little doubt but that the present reorganization plan will be declared operative as deposits of securities under the plan have been sufficient to put it through successfully.

The two most important results a reorganization plan should produce is sufficient cash to take care of all immediate need and a reduction of the fixed charges of the company to such a point that its credit will be good. The present plan meets these requirements.

Fixed interest bearing obligations are reduced $60,000,000 with an annual reduction in the interest charges of $3,319,321. Missouri Pacific will have no difficulty whatever in meeting the fixed charges provided in this plan. Earnings for the year ended June 30, 1915, a very poor year, were sufficient to cover the new fixed charges with $2,400,000 to spare.



MAP OF THE MISSOURI PACIFIC RAILWAY
ST. LOUIS, IRON MT. & SOUTHERN RY.
AND LEASED, OPERATED & INDEPENDENT LINES

New cash to the amount of $41,419,792 is raised, which will be used to retire $24,845,000 Missouri Pacific Railway Extended Notes, $3,861,000 equipment obligations maturing up to June 30, 1918 and the balance $12,713,792 will be available for adjustments, additional working capital and improvements. Graphic 1 illustrates the difference between the present capitalization of Missouri Pacific and what it will be after the reorganiation. The important change it will be noted is the substitution of 5% preferred stock or 5% income bonds (the plan provides for either one or the other) for part of the bonded debt. Table 11 shows just what new stocks and bonds the securities that are disturbed by the reorganization will receive.

New Capitalization

The total capitalization of Missouri Pacific, including everything will not be greatly changed by the reorganization. A reduction of $60,000,000 in bonded debt is counterbalanced by $76,751,635 new 5% preferred or 5% income bonds. The common stock remains substantially the same, so that there is a net increase in capitalization of $16,751,635. That the capitalization of Missouri Pacific at the present is not unduly high as compared with roads operating in its territory is illustrated by Graphic 11. Capitalization per mile is $36,187 and net per mile $2,146 (year ended June 30, 1915), comparing with Rock Island capitalization per mile of $44,460 and net of $2,092. Missouri, Kansas & Texas capitalization per mile is $59,354 and net per mile $2,569.

For the fiscal year ended June 30,

1916 it is reasonable to expect from the way current earnings are showing up that Missouri Pacific will show at least $13,000,000 total income. It is interesting to see what such an earning power will mean to the new securities. First there is the interest on the $128,460,620 securities which are to be left undisturbed, that will take $5,504,-357. The interest on the $46,923,150 new first and refunding mortgage 5% bonds calls for $2,346,158. Deduct these two sums and there remains left $5,-149,485, available for interest on the new general mortgage 4% bonds. There are to be $44,399,292 of these outstanding so that interest requirements are $1,775,971, leaving a balance of $3,373,514.

Earning Power

This $3,373,514 would then be available for dividends on the $76,751,635 5% preferred stock (or income bonds), equal to 4.4%. Thus all the income would be used up before the $82,839,585 common stock was reached, which would not appear to be, on the face of it, a very glowing prospect. There is another point, however, that should be

TABLE II.
MISSOURI PACIFIC ORGANIZATION PLAN

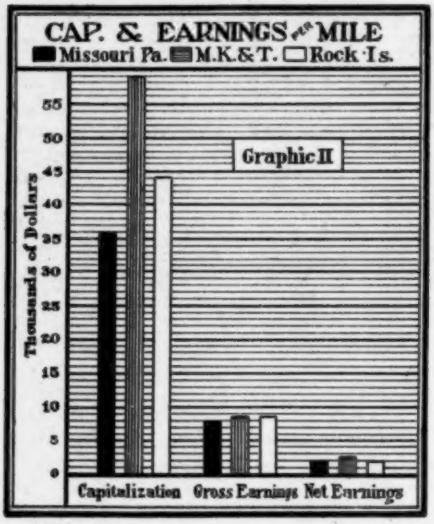
The following table shows the securities to be disturbed under the Plan and the per cent. and amount to be received by the present bond and stockholders in the new securities to be issued under the Plan:

Securities Existing	Will Receive in....	New First and Refunding Mortgage 5% Bonds		New General Mortgage 4% Bonds		New 5% Preferred Stock or 5% Income Bonds	
Amount		Per Cent.	Amount	Per Cent.	Amount	Per Cent.	Amount
$14,904,000	Mo. Pac. Cons. First 6s........	110	$16,394,400				
$14,375,000	Mo. Pac. Coll. Trust 5s. of 1917	100	14,375,000				
$9,636,000	Mo. Pac. Coll. Mort. 5s. of 1920	100	9,636,000				
$37,255,000	Mo. Pac. Gold Loan 4s........	...	....	..	....	100	$37,255,000
$29,806,000	Mo. Pac. First and Refund. 5s.	...	....	..	....	100	29,806,000
$650,000	Mo. Pac. Lexingt. Div. First 5s	...	....	..	....	100	650,000
$3,972,000	Kansas & Colorado Pacific 6s	...	....	..	....	100	3,972,000
$3,459,000	Central Branch 4s.	...	....	50	$1,729,500	50	1,729,500
$2,500,000	Central Branch Union Pac. 4s	...	....	50	1,250,000	50	1,250,000
$520,000	Leroy and Caney Val. First 5s	...	....	..	....	100	520,000
$1,024,000	Kansas City Northwestern 5s...	...	....	..	....	100	1,024,000
$500,000	Boonville, St. L. and South. 5s.	...	....	..	....	100	500,000
$4,175,000	Iron M't'n First and Ref. 6s.	105	4,383,750				
$393,000	Little Rock Junction First Consolidated 6s, guaranteed by Iron Mountain Company ...	100	393,000				
$1,741,000	Tex. and Pac. Notes endorsed by Iron Mountain Company	100	1,741,000				
$82,839,585	Mo. Pac. Stock outstanding ((but see note)	...	....	50	41,419,792		
$45,135	Iron Mountain Co. Stock outstanding	...	....	..	....	100	45,135
	Total	...	$46,923,150		$44,399,292		$76,751,635

The Missouri Pacific Company's Extended Six Per Cent. Notes maturing June 1, 1916, and any unextended notes of said issue together aggregating $24,845,000 are to be paid in cash, and provision is also to be made for the payment of the $3,861,000 of equipment obligations of the Missouri Pacific and Iron Mountain Companies maturing before June 30, 1918. In addition there are $128,460,620 obligations of present company to remain undisturbed.

Note.—The holders of stock in the Missouri Pacific Company are entitled to receive $82,839,-585 (100%) of common stock in the New Company, as well as the $41,419,792 (50%) General Mortgage Bonds above mentioned of the New Company, upon surrender of their existing stock and payment in cash of $50 per share of existing stock.

taken account of. Missouri Pacific, the current year, has made abnormal expenditures for maintenance, which it should not be necessary to make hereafter. These excess maintenance charges are estimated to amount to



conservatively $2,000,000. Taking this into account the earnings would be sufficient to pay the full 5% on the preferred and leave a balance of 2% for the common stock.

What are the possibilities of the common stock of Missouri Pacific at present prices of around 6½ as a speculation? The reorganization plan provides for an assessment of $50 per share in return for which there will be given the stockholder $50 par value in the new 4% general mortgage bonds and 100% in new common stock. The new 4s of course will not be worth anything like par. They will probably sell on between a 5½% and 6% basis. A fair estimate of what their market value will be when they first appear is 70. If the bonds are sold at this price stockholders will get $35 of their assessment back making the net assessment $15 per share. Adding this to the present market price of 6½ and the total is 21½, which represents the price at which Missouri Pacific new stock will have to sell at in order to let present purchasers out even.

Position of Stock

In view of the fact that earnings for the year ended June 30, 1916, even after crediting the $2,000,000 extra maintenance charges, would only be equal to 2% on the new stock, it does not seem that 21½ should be considered an unduly low price, especially in view of the fact that the current fiscal year has been a very good one for the railroads. In purchasing Missouri Pacific at the present time involves the tying up of considerable money with only fair speculative possibilities.

The future possibilities of the road look good but now is not the time to purchase the stock. The stock of a company to be reorganized in almost all cases in the past has sold at its lowest price just before the payment of the assessment falls due. Then the weak holders unable to pay the assessment are squeezed out and this liquidation forces the stock down. When the reorganization is completed it often happens that the new securities are given a speculative upward move for the purpose of distributing to the public stock that the underwriting syndicate has been obliged to take. Last April Missouri Pacific sold as low as 3½ and in July, 1915, it touched 1¾. It is quite possible that it will drop back to these prices where it might prove to be a profitable purchase.

Capitalizing the Metal Boom

How Metal Prices Have Soared to Undreamed Heights——The Case of Spelter—Many New Flotations Based on an Abnormal Metal Price Basis—A Word of Warning.

By JAMES HARVEY LANG

THE effect of the war on the metal markets of this country was as varied as it was startling. Copper, of which we were large exporters, promptly collapsed, while tin, antimony, tungsten, quicksilver, ferro-manganese and other metals of which we were importers, went soaring. Some of these metals have since returned to more normal levels, though all are still relatively high and subject to violent and erratic fluctuations.

Copper has recovered its loss and attained to heights heretofore undreamed under the extraordinary demands of the war and good domestic business.

Lead and Spelter

The only metal which has remained comparatively steady is lead, the fluctuations in which have not exceeded 100 per cent. Conditions surrounding lead and spelter at the outbreak of the war were closely analogous, so far as this country was concerned. That is, there was a domestic market for both shut off by the tariff wall from the rest of the world. In each case there was a domestic production closely approximating the domestic consumption, and prices moved in accordance with supply and demand as determined by purely local causes. But with the outbreak of the war all this was changed. The total world's production of lead and spelter, as zinc is called in the trade, was about 1,000,000 tons of each of these metals, of which the United States produced and used of lead about one-half and of spelter about one-third. This means that the rest of the world produced and used about 500,000 tons of lead and 700,000 tons of spelter, but with this difference: the production of lead was widely distributed while the production of spelter, (outside of the United States), was confined almost exclusively to Germany and Belgium. Consequently, with the beginning of the war, the Entente Allies, (Great Britain, France, Russia and Italy), were compelled to look almost entirely to this country for their supplies.

However, men's minds were so confused, the calamity was so overwhelming and the magnitude of the war and the enormous variety and extent of its requirements were so little appreciated that outside of some advance due principally to bear covering in London, there was at first no movement whatever. At the end of 1914 spelter in St. Louis was practically again at pre-bellum levels,—within a fraction of 5c per pound. From that point it slowly worked up to 8c. per pound at the end of March. Of those who realized the changed position the vast majority probably concluded that this advance of 60 per cent. fully discounted the situation. The price was higher than it had ever been before in what might be called modern times; say for 25 or 30 years. Then the real advance commenced and in 90 days spelter was selling at 27c per pound for Prime Western quality, finer grades being still higher.

What the Rise in Spelter Meant

The whole Iron and Steel industry, following an almost universal sales custom, was full of contracts for galvanized sheets, tubes, and wire, calling for the use of say, 200,000 tons of spelter. These contracts had all been taken on the supposition that spelter could be safely counted on to remain somewhere between 5 and 6c. per pound, each mill gambling that its purchasing department would see to it that so far as it was concerned supplies should be obtained nearer to the former than the latter

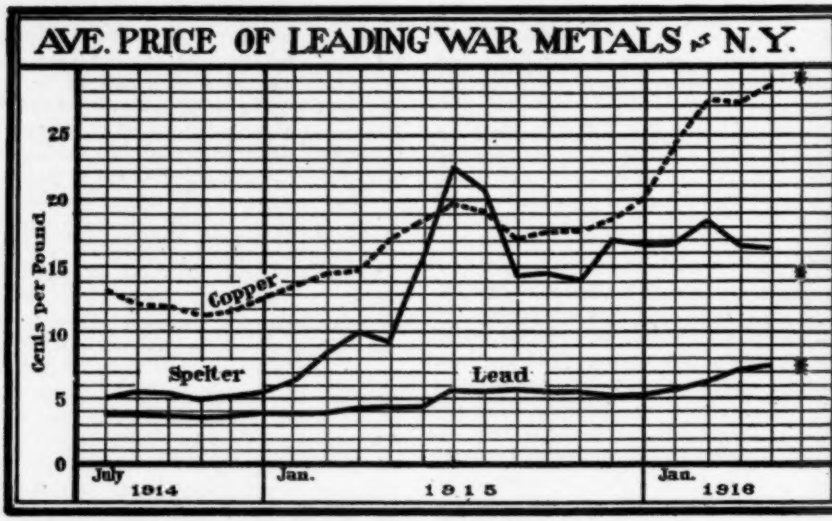
price. The difference between spelter at 5c. per pound and 25c. per pound is exactly $400 per ton, and on 200,000 tons this means $80,000,000. Even the Steel Corporation, one of the largest consumers of spelter, could hardly view with equanimity its proportion of so huge a sum, while to many of the smaller people it spelt absolute ruin.

Fortunes for the Producers

To the producers of spelter this unexpected change spelled wealth beyond the dreams of avarice. Foreigners say that we are a nation of money grabbers. We certainly proceeded to grab this money as promptly as possible.

band played the National Anthem, and when it finished ore was $10 per ton higher than when it commenced. What it would have done had the taste of the audience or the capabilites of the musicians ran to Grand Opera deponent sayeth not. Miners lighted their cigars with $10 bills. The Arabian Nights and Grimm's Fairy Tales were made to look commonplace. Aladdin's lamp was a toy and Coal Oil Johnny was a piker.

While the dance was still on and joy unconfined in the mining camps, the zinc smelter, the man to whom the miner sold his ore, was no less happy though, perhaps, less exuberant in his manifestations. With spelter at 20c per pound and above, the price of ore was almost a negligible quantity. A by-product of most zinc smelters is sulphuric acid and that went up from $10 per ton to $50 per ton. For every ton of zinc produced from sulphide ores two tons of sulphuric acid are likewise produced.



A peculiar situation had for a long time existed in the zinc industry. Like its big brothers, Iron and Steel, it is either prince or pauper, and just prior to the war it was more the latter, than the former. Idle smelters, some of them dismantled and others falling into decay, dotted the hills and valleys of Missouri and were scattered over the plains of Kansas and Oklahoma. As if with the touch of a magician's wand these plants came to life. The mines, of which, incidentally, there is a great plenty, became scenes of feverish activity. The value of zinc ores doubled, trebled and quadrupled. The Joplin

An Insatiable Demand

The demand for future spelter was as insatiable as for spot and at nearly as good a margin of profit to the producer. It was literally possible for any solvent individual to buy ore and sell spelter with such a spread between, that the cost of erecting a plant to smelt the ore and produce the spelter could be re-

couped within 90 to 180 days after the plant was in operation. After that everything was "velvet." Is it any wonder that the industry has marvelously expanded?

Perhaps this explains why this "good thing" has permeated so little into Wall Street. The zinc smelters in existence, or at least in operation, when the war broke out were mostly owned by old established concerns who needed no assistance in expanding their ventures, and the new comers were able to get all the money they wanted at home. Among the former might be mentioned U. S. Steel, U. S. Smelting, American Smelting, Anaconda Copper and Grasselli Chemical.

Of companies engaged purely in the production of zinc two only were accessible to the readers of the tape. The stocks of these companies have advanced as follows:

	Low 1914		High Record
Butte & Superior from...	**24**	**to**	**105¼**
American Zinc from......	**12¼**	**to**	**97⅞**

The reports of these companies are just beginning to disclose the golden stream which has flowed and is still flowing into their treasuries only a small proportion of which has as yet found its way to their stockholders. Wall Street would be belying its traditions and stultifying its reputation did not some of its versatile followers attempt to turn this unprecedented opportunity to their own advantage. Why not?

Capitalizing Prosperity

Copper and zinc have each about the same production taking the world as a whole,—approximately 1,000,000 tons per annum. Look at the copper stocks listed in Wall Street: American Smelting, Anaconda, Ray, Chino, Utah, Kennecott, Miami, Inspiration, Granby, Phelps Dodge, etc., without counting the curb and to say nothing of Boston with its long list from Ahmeek to Wolverine. Their name is legion. Already the ubiquitous promoter is attempting to capitalize, syndicate, underwrite and otherwise cultivate this new field. Plants that cost $100,000 are capitalized for ten times the amount and a 90 days or 6 months' statement is issued to show earnings real or prospective at the rate of 30, 40, 50, and 60 per cent. per annum, or even more. On this basis the investor is invited to buy.

A Word of Warning

However this may be, a word of caution might not be amiss. A review of statistics shows that for ten years prior to the war the average price of zinc was $5.65 per lb. East St. Louis and the average price of ore $42.86 per ton of 60 per cent. concentrates at Joplin. Allowing for freight, metallurgical losses, etc., this means that the smelters during this period received an average treatment charge of $14.00 per ton, which as a matter of fact is the sum usually used in normal times in estimating the cost of smelting plus a fair profit to the smelter. That this profit was not excessive may be learned by a study of the industry during that period. It is entirely conservative to say that the business was not noted for its large financial returns. Profits today, however, are not based on this $14.00 per ton ten year average spread between the ore and the metal with its possibility of meagre net savings, but,—well one concern whose prospectus we have read is figuring *on a net profit of* $85.00 *per ton. of zinc, or* $40.00 *per ton of ore; something like ten times the usual amount.*

A word to the wise is sufficient. Already there are signs of a subsidence of the boom. At this writing Prompt Prime Western Spelter in St. Louis is selling at 13c and to the end of the year at 11c. Production is now at the rate of 700,000 tons per annum,—double what it was in 1914. Should the industry continue to expand at the same rate over the balance of the year and all the smelters planned and in prospect materialize, we shall be producing in this country by the end of 1916 nearly as much spelter as was produced in the whole world prior to the war. What will happen then, even if the war continues?

When the war ends the Darwinian theory of the survival of the fittest is likely to receive a fresh vindication.

Sears, Roebuck & Co.

Gross Sales May Total $130,000,000 This Year—How a Silver Watch Proved an Aladdin's Lamp—Outlook and Market Rating of Preferred and Common Stocks.

By JOHN F. CONVERSE

"GREAT oaks from little acorns grow" is an inadequate simile when applied to Sears, Roebuck & Co. The present organization with its millions of ramifications and between six and seven million customers might better be compared to a whole forest of oaks which continues to grow and spread from year to year. While most every one knows that Sears, Roebuck stands for a great organization, its size is a difficult thing to express in concrete terms. That the company's gross sales last year passed the hundred million mark, totaling $106,228,421, to be exact, is perhaps as good an indicator as can be found for the scope and amount of this concern's activities.

Concluding an analysis of this company written for the April, 1914, issue of THE MAGAZINE OF WALL STREET, Mr. Richard D. Wyckoff observed:

> "These (i. e., Sears, Roebuck) stockholders may reasonably expect within the next few years a very generous melon, or an increase in their dividend rate, or both. The present price (185) more or less discounts these possibilities, but does not by any means exhaust them. Remember, a stock dividend of even 50% would not in any way curtail earning power nor add a dollar of fixed charge. If our calculations as to future earning power prove correct, the company could declare a 50% stock dividend at the end of 1914 and continue to pay dividends of 7%, 8% or 10% on the increased stock."

Although the dividend rate of 7 per cent on the common stock has been maintained unchanged since the above was written, the common stockholders in less than a year from that time received a 50 per cent stock dividend payable April 1, 1915, and the common stock has sold up as high as 209¼.

$150,000 Originally Invested

The original Sears, Roebuck & Company which was established in 1895 started with an investment of $150,000 and an idea. That was so big, however, that the results it produced soon dwarfed the original capitalization. Like the chain-stores plan it took almost from the first. No one needs to be told that Sears, Roebuck & Co. is engaged in selling by mail, and that it handles practically everything in the gamut of human requirements from mouse-traps to motor cars and from pins to pianos. When the original company was reincorporated in 1906 under the laws of New York with a perpetual charter, it was refinanced to a basis of $10,000,000 7 per cent cumulative preferred, all outstanding, and $60,000,000 common, $30,000,000 outstanding. The growth of the business and steady accumulation of surplus has enabled the company to retire $2,000,000 of the preferred and increase the outstanding common to the full amount authorized.

Richard W. Sears

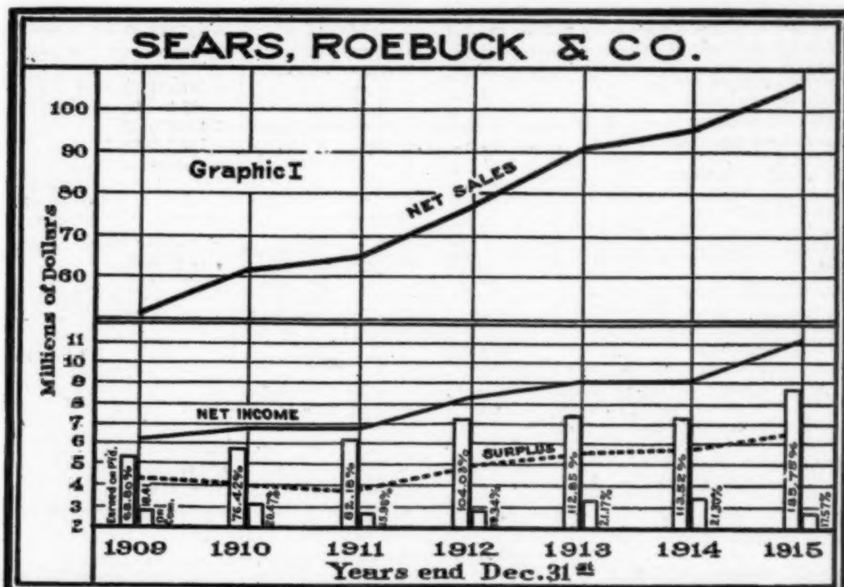
Richard W. Sears who died September 28, 1914, was the creative and organizing spirit which started the immense business which bears his name. Like the story of the rise of most American captains of industry, the account of the inception of his plan of selling goods by mail and his determination and energy in pushing the plan to success, is a romance of modern business. Speaking of Mr. Sears a business associate said to the writer:

"Richard Sears was one of those rare geniuses who crop up, one in a million, and who bear the stamp of success from the start. No matter in what field he labored he was bound to make his mark. With him it was not a question of whether or not he would be successful, but what particular line of endeavor would yield him the greatest success. Had he gone into railroading, law, jour-

nalism or banking I believe the story would have been the same and summed up in the one word—Success. His mind was of such a fertile creative type that it was simply impossible to ignore him or keep him down."

Mr. Sears started as the telegraph operator at the little railroad station of Redwoods Falls, Minn. His salary was $50 a month. His Aladdin's lamp proved to be a silver watch which a watch firm at Fredonia, N. Y., shipped to him C. O. D. with the privilege of return if he could not sell it. The price of this watch to him was $9.40 and it was just the kind of timepiece, 3-ounce silver case with jeweled movements, for which the railroad men in his part of the country were paying $20 apiece. Sears immediately saw a profit and went after it. On his first order he cleaned up $200. Immediately he sold out the little lumber business which he had been working in connection with his telegraphic duties, resigned his $50 a month post and moved to Minneapolis and went into the watch selling business. Shortly thereafter he branched to Chicago and within two years had cleaned up $200,000 selling silver watches for $11.90 which cost him $9.40 apiece. The idea in selling the watch was that of eliminating the middleman, and that is the keystone of the business of Sears, Roebuck & Co today. The development of that company was simply the expanding of the watch plan to all lines of merchandise. Mr. Sears lived to see his business swell until its gross sales in a single year crossed the ninety million mark, and had he lived fifteen months longer he would have seen it cross the century million mark. When he died he left a fortune of $17,000,000. Here is a word picture by a contemporary writer:

"This man Sears is one of the least conspicuous of men physically and temperamentally. The man in the crowd would not see him. He is perhaps two inches under six feet, broad of shoulder and deep of chest. His complexion is dark and his eyes a rather light shade of brown. His speech which is quicker than the average, is not quite quick enough for his thoughts, which shows the nervous temperament when the stur-



dy frame would not suggest it. Talking with this man one cannot escape the power of concentration which he possesses in a marked degree. No matter how trivial the topic that is brought up, there is no wandering of the man's attentions. He has the judicial temperament and this, in combination with his concentration of attentions, leaves him the power of quick decision."

Properties

Sears, Roebuck's principal place of business is in Chicago where it owns a tract of land known as the Homan Avenue property, comprising about seventeen acres on which are located its business buildings consisting of an administration building, merchandise building,

SEARS, ROEBUCK & CO.

General Balance Sheet and Surplus Account—December 31, 1915

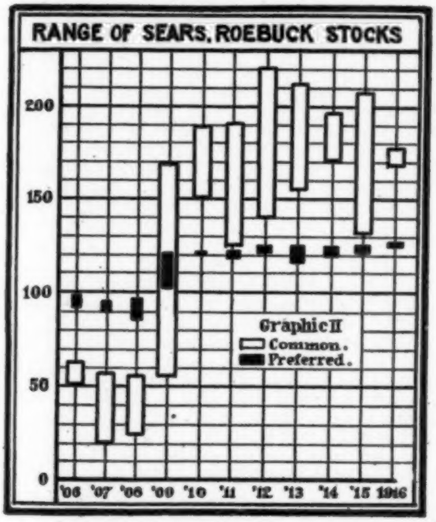
ASSETS:			
Real estate, buildings, fixtures and machinery		$ 9,778,904.46	
Good will, patents, etc		30,000,000.00	
Advances to and investments in factories owned by this Company		8,181,063.94	
Advances to and investments in factories whose output is chiefly taken by this Company		5,527,297.62	
Advances to and investments in branch houses		5,012,283.69	
Merchandise and Supplies on Hand		14,837,660.79	
Due from railroads, express companies and other common carriers for goods in transit, claims, etc		39,574.66	
Due from sundry persons		568,410.75	
Due from customers		2,905,371.04	
Insurance, interest, etc., paid in advance, and other deferred charges		217,771.07	
Cash in banks and on hand		6,798,239.89	
TOTAL ASSETS			$83,866,577.91
LIABILITIES:			
Due for merchandise and other open accounts		5,585,352.03	
Preferred stockholders' dividend payable January 1, 1916		139,797.00	
TOTAL LIABILITIES			$ 5,725,149.03
EXCESS OF ASSETS			$78,141,428.88
Represented by			
Preferred Capital Stock:			
80,000 Shares at $100.00 each, 7% cumulative	$ 8,000,000.00		
Common Capital Stock:			
600,000 Shares at $100.00 each	60,000,000,00		
		68,000,000.00	
Surplus December 31, 1915		10,141,428.88	
			$78,141,428.88

Surplus Account

Surplus December 31, 1914			$23,449,989.50
Less 50% common stock dividend, April 1, 1915			20,000,000.00
			3,449,989.50
Profit for year		$11,100,387.63	
Deduct:			
Preferred Stock Dividend, 7%	$ 559,189.75		
Common Stock Dividend, 7%	3,849,758.50	4,408,948.25	
Surplus for year ending December 31, 1915			6,691,439.38
Total surplus December 31, 1915			$10,141,428.88

power plant, printing plant, grocery house, manufacturing plant, as well as a building for wall paper and paint.

It will be observed in the last balance sheet, which is published herewith, that the company carries its good will item at $30,000,000 at which figure it has stood since 1911 when the good will and property accounts were separated. The intangible element of good will is, after all, the greatest asset the company possesses and that it is carried at no unreasonable figure is amply indicated by the graphic showing the earnings on both classes of stock. In this connection it should be noted that the smaller showing on the common last year was the result not of smaller earnings, but was due to the fact that the outstanding common had been increased to the extent of $20,000,000.



Earnings and Dividends

When this company was refinanced in 1906 the common stock was offered at $50 a share and it is of interest to note that the purchaser of that stock then who sold his stock at present market prices would have received the equivalent of $370 a share, including regular and extra dividends and the selling price of the stock.

The refinanced company has paid 7 per cent on the preferred stock from the start. Dividends on the common stock began at the rate of 7 per cent in 1909 and in 1911 the stockholders received a 33⅓ per cent extra dividend payable in stock. We have already spoken of the 50 per cent extra dividend declared last year.

Earnings at the present time are very satisfactory. During the first four months of the current year gross sales increased $8,491,000, round figures, over the same period a year previous. If this rate of increase can be maintained the year as a whole will show a gross of something like $130,000,000, or by far the largest total in the company's history. Allowing a ratio of 10 per cent earned on gross sales, which is the average profit, such a year would mean net earnings available for dividend purposes of approximately $13,000,000. This would mean 162 per cent earned on the $8,000,000 preferred stock and a balance on the common after preferred dividends of nearly $12,000,000, or something like 20 per cent, on the common.

Position of Securities

The preferred stock of Sears, Roebuck is a high class preferred investment in view of the large earnings and constantly expanding business. At 126 it yields 5.6 per cent on the money invested. The fact that the preferred is retirable at 125, however, mitigates against any considerable advance above that quotation. So far the company has retired $2,000,000 preferred by purchase in the open market. At any figure below 125 the preferred is a most attractive industrial preferred investment.

The remarks made by Mr. Wyckoff anent the common stock two years ago are good today, although of course it would not be reasonable to expect another stock distribution following close upon the generous stock dividend of last year. But looking two or three years ahead, and it is possible to look that far ahead in the case of this company owing to the stability shown in the past of the increase in earning power, it is possible, in fact it is more than that, it is very probable that within a reasonably short time another juicy stock melon will have ripened.

Railroad and Industrial Inquiries

Ford Motor of Canada

B. E. C., Pittsburgh, Pa.—We should regard the purchase of the stock of the Ford Motor Co. of Canada as a rather risky speculation. While the Ford Motor Co. has made enormous profits in the past, and is still making enormous profits, it has now more competition than ever before in its history, and this competition is going to increase rather than diminish. There are many excellent cheap cars in the field at the present time, and we believe the Ford Company will find the going in the future considerably harder than in the past.

Sloss-Sheffield

C. J. W., Newport, Ky.—Sloss-Sheffield Steel & Iron Company's earnings are reported to be running at the rate of about 20 per cent per annum on the common stock. Of course, these earnings must be regarded as more or less temporary, being due to the unprecedented demand for pig iron at the present time. The company is in strong financial condition, and it would appear reasonable, therefore, to expect a dividend on the common stock in the near future.

Amer. Real Estate

M. B. W., Tappohannock, Va.—Our suggestion would be for you to deposit your bonds with the Bond Holders Committee which is also the reorganization committe. This committee was formed for the purpose of preparing and consummating a plan for reorganization for the American Real Estate Company which would protect the interest of all bond holders, and creditors, and prevent the sacrifice and loss which would result from any forced sale of the assets of the company. George E. Warren, 60 Broadway, is secretary. Holders of bonds should deposit the same with the Columbia Trust Co. of 60 Broadway.

Amer. Linseed

C. R. W., Fall River, Mass.—American Linseed for the past year ended September 30, 1915, earned about 7% on its preferred stock. Current earnings are reported to be showing marked increases. In spite of the improved outlook for the company, we consider the common stock at 24 to be about high enough, and to have pretty thoroughly discounted the improved outlook. The preferred stock is entitled to 7%, and we believe it decidedly unlikely that the company will be able to average much over 7% on the preferred stock in the next few years, although there are possibilities of 1916 making an exceptionally good showing.

St. Louis & San Francisco

C. W. E., Williamsport, Pa.—The reorganization of the St. Louis & San Francisco is not yet thoroughly completed and the new securities have not been issued. This accounts for the reason that you have not received yours.

So. Pacific "Pfd."

P. M. S., Louisville, Ky.—In your letter you inquire about the preferred stock of the Southern Pacific Railway. Southern Pacific has no preferred stock. Perhaps you meant the preferred stock of the Union Pacific. This can be regarded as a very high grade investment security.

Missouri Pacific

B. J., N. Y. City.—The future outlook for Missouri Pacific appears to be bright. This road has been rehabilitated and there is no better management in the country than the present management which is headed by B. F. Bush. Current earnings are showing up satisfactorily and net is about $500,000 ahead of last year.

Missouri Pacific has a very strong board of directors. It is composed of men who are very highly regarded in the financial community and some of these men have very strong financial connections.

As perhaps you know, this road is now being reorganized. The stockholders are obliged to pay an assessment of $50 per share, for which will be given in return $50 par value of 4% general mortgage bonds, and a share of the new stock. Before purchasing into this road, our suggestion would be to wait until the new securities are on the market.

Inter. Steam Pump

B. D. F., Freehold, N. J.—A market has not yet appeared for the new International Steam Pump stock. As you have seen this company through the worst, our suggestion would be to hold your stock and give the new company a chance to make good. Current earnings are reported as favorable. A market for the new stock will very likely be made on the New York Stock Exchange within a reasonable time.

Federal Dyestuffs & Chemical

H. C. T., N. Y. City.—Federal Dyestuffs & Chemical Co. was incorporated in Delaware with $15,000,000 stock, par value $50. Recently there were sold $1,000,000 6% gold notes, convertible into stock to the amount of 150% of the par value of the notes. The company's plants are located at Kingsbridge, Tennessee, where it owns 500 acres. The company manufactures dyestuffs and picric acid. Orders have been booked for 500,000 lbs. of sulphur black, and for other dyes which will absorb the capacity of the plants for some time. Recently a $3,500,000 order was taken from the Italian government. At present prices for the products it manufactures, the company is in a position to make large profits, but what it will be able to do when the war ends is a matter of doubt. Competition from foreign dye makers will be very keen. A. B. Du Pont is Chairman of the Board of Directors of this company.

Baldwin Locomotive

R. H. J., Meriden, Conn.—Baldwin Locomotive has not given out any official reports as to the extent of their war orders, or as to what current earnings are. Estimates of what this company is making from war orders have varied so greatly that one hesitates to give them credence. For the year ended December 31, 1915, this company earned 7.14% on the common stock. In 1915, however, but a small portion of this company's earnings was from war orders. 1916 is expected to show the big profits from the war order business. The company does not issue quarterly reports. In view of the impossibility of getting any accurate estimate of what the company's earnings will be from its war contracts, we regard the stock as highly speculative, and our suggestion would be to leave it alone.

Internat. Harvester Corporation

W. B. B., Chicago, Ill.—International Harvester Corporation will, of course, benefit when the war is over, but it must be remembered that this company's foreign organization has been badly broken up and the conditions of its plants abroad is an uncertain factor. In view of the fact that it is paying no dividends and current earnings are not very large, it appears to be selling high enough.

Maxwell 1st Pfd.

M. G., N. Y. City.—Twelve points margin on Maxwell 1st preferred is a little slim. At 85 the stock would appear to be rather cheap, but should there be a break with Germany, or some other unfavorable market development, it is easy to conceive that it will break five or ten points. We consider this stock an excellent speculation and believe it will work higher. You should be in a position to protect it at least twenty points, however.

Emerson Phonograph

F. G., Boston, Mass.— (Correction.)—In our recent answer to your inquiry we stated that production of Emerson records is running as high as 50,000 daily. What we intended to say was that *sales* are as high as 50,000 daily.

N. Y., Ont. & Western

D. E., Memphis, Tenn.—New York, Ontario & Western stock has not advanced much, and as earnings are showing considerable improvement, we suggest that you hold this stock for higher prices. In view of the probable acceptance of Germany's note, stocks should be due for a rally, which will probably be sufficient to show you a profit on your holdings of U. S. Rubber, Inspiration Copper and Illinois Central. Our suggestion to you would be to take your profits in these stocks as soon as you can, even though they are of small proportions. For, once this rally is over, we believe stocks will again decline, and by that we mean all stocks not war stocks in particular, although the latter should decline the most.

Wabash-Pittsburgh Terminal

A. L., Baltimore, Md.—Wabash-Pittsburgh Terminal is showing improvement in earnings and prospects look bright for a continued improvement. Our suggestion would be for you to hold this stock for higher prices.

Saxon Motor

H. B. E., Owosso, Mich.—Saxon Motor Co. ranks as the tenth largest manufacturer of automobiles in the world. Net earnings for 1915 were $850,000 on a production of 17,000 cars. It is expected that the company will produce at least 30,000 cars in 1916, on which profits are estimated in excess of $1,500,000, equal to 25% on the $6,000,000 stock.

Of course, it must be remembered that the automobile industry is now at its zenith and the supply has, apparently, not yet caught up with the demand. Many new companies are entering the field and all the old companies are largely increasing their capacity, so it is practically a foregone conclusion that sooner or later the supply will catch up with and finally exceed the demand. When this occurs the enormous profits that are now being shown by the motor companies will naturally be reduced. This company is capitalized with $6,000,000 stock, par value, $100. The stock sold as high as 77¼ last November.

TELEGRAPHIC SERVICE TO YEARLY SUBSCRIBERS

The Magazine of Wall Street has made arrangements by which yearly subscribers who desire prompt replies to their inquiries may receive them by telegraph—the only expense incurred being the cost of the telegram, which will be sent collect. We urge subscribers to use this method when they expect to take quick action in the stock market, as one or two days' delay might result in a loss that a telegram would have saved.

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. —*Editor.*

RAILROADS

Atchison.—April gross earnings increased almost 15% over April of last year. It had been estimated that surplus for common stock for the year ending June 30 would be slightly below 12%, but the rate at which earnings are increasing will probably make the common balance for the year exceed 12%, or more than twice dividend requirements. With such a balance, it is natural that there should be some speculation over the chances for a possible increase in the dividend, but there have been no responsible intimations that directors were considering the question. The board does not meet for dividend action until the first of July.

Baltimore & Ohio.—According to indications Baltimore & Ohio will earn about $112,000,000 gross in the current fiscal year, which would exceed the biggest previous fiscal year by approximately $8,000,000. This road has been spending very freely on maintenance, but even assuming that no further gains will be made in net for the balance of the year, Baltimore should show earnings of at least 8½% on the common stock, again 5.49% in the last fiscal year.

Boston & Maine.—This road reports for April gross revenues of $4,447,446, an increase of $631,474, and net income after all charges of $370,112, an increase of $408,208. This statement is much better than previously expected. The full text of the tentative reorganization plan has not yet been given out for publication, but it is expected that it may disclose that the warrants for a 40% subscription at par to the first preferred shares of the new consolidated company will call for the payment of $5 per share. In other words, a holder of 10 shares of the present Boston & Maine stock would have to pay $450 to get four shares of the proposed new first preferred stock.

Chesapeake & Ohio.—The directors of this road took no action on dividends at their meeting on May 24. On June 1 the $33,000,000 5% five-year notes will be paid off, and the company relieved of the obligation of appropriating a certain sum each year out of current revenues for capital purposes, before considering dividend payments. The Chesapeake & Ohio northern line, which will run from Portsmouth on the Ohio River to a connection with the Norfolk & Western, should be in operation the first of next year.

Lackawanna.—For the three months ended March 31, 1916, this road reports an increase in surplus after charges of $2,846,401 over the same period of last year.

Erie.—Net earnings after expenses and taxes from January 1 to May 14 were $5,800,000 against $4,300,000 in the same period of 1915. The current year's net is therefore 35% in excess of that reported in 1915. In spite of increased wages, and transportation costs, due to congestion of traffic caused by the accumulation of export freight awaiting vessels, it is expected that Erie's gross and net this calendar year will reach record proportions.

Illinois Central.—Traffic along this company's lines is very good. In the year to end June 30 Illinois Central is expected to show 9% earned for its $109,291,717 outstanding stock compared with 6.28% last year. President Chas. H. Markham states that the lines of this road are in fine shape to handle big business without any additional capital outlay.

Louisville & Nashville.—This road continues to show increases in earnings. Present indications are that the road will earn in excess of 15% on its $72,000,000 stock for the year ending June 30. Net earnings in March were nearly double those of a year ago, and April is expected to show up even better. The advance in the shares of this company was based on expectations of an increase in the 5% dividend in the near future.

Missouri, Kansas & Texas.—From July 1, 1915, to May 14, 1916, this road reported a decrease of $1,147,527, practically all on freight traffic. In the corresponding months of last year, however, this road was about the only Southwestern road to show increased earnings, while its neighbors and competitors were reporting losses. Officials of the company believe this system's earnings have turned the corner and that from now on revenues should show better comparisons.

Missouri Pacific.—It is announced that arrangements have been made with the committee representing the $25,000,000 extended 6% notes of the Missouri Pacific Railway Company maturing June 1 to extend their life for another six months, with the privilege given to the receiver to secure an additional six months' extension next December if it is deemed necessary. Noteholders participating in the extension will receive their interest on June 1.

New York, New Haven & Hartford.—April business of this road was the biggest on record. The earnings statement for that month showed a surplus, although a substantial deficit was expected. The congestion of freight cars on this road's lines is decreasing.

Northern Pacific.—The earnings of this road for the ten months ended April 30 showed a surplus after charges of $21,531,918, an increase of $6,280,038. This is equal to 8.70% on the $248,000,000 stock.

Pennsylvania.—This road earned its current quarterly dividend requirements in the first three months of its year and had $2,200,000 to spare. For the quarter ended March 31 last, Pennsylvania showed a surplus over charges equal to 1.9% on the $500,000,000 stock and representing an annual rate of 7.60% without allowing for seasonal variation in traffic and expenses.

Reading.—Argument before the Supreme Court on counter appeals in Government dissolution case against Reading and allied companies has been postponed until fall. The lower court decided in favor of the companies, except in point of ownership by Jersey Central of a controlling interest in Lehigh and Wilkes-Barre Coal Co. The Government has appealed on the main issues of monopoly and the defendants have appealed in the matter of the coal company ownership. It is estimated that Reading will earn 21% on its stock, par $50, for the year ending June 30, 1916. The recent advance in the stock has led to talk of a possible division of some of Reading's assets. There have been no official utterances to justify this opinion.

Rock Island.—This road made another record in April both as to gross and net. Net shows an increase of $650,000 over last year. Balance over all charges this year will exceed $300,000, whereas in April, 1915, there was a deficit of $336,000. Rock Island seldom earns its interest charges during the first three months of the year, yet this year it not only earned fixed charges, but over $1,200,000 for the stock. This better showing is principally the result of improved physical condition of the property and close supervision of transportation expenses. Net income over and above all fixed charges for the first three months of 1916 is equal to about 6% per annum on the present outstanding stock. This is after making liberal expenditures on upkeep.

Southern Pacific.—Earnings of this road continue to show remarkable gains. In April the gain in net was $1,303,707, or nearly 55%. It is interesting to note that all of this gain in earnings came from freight, as passenger revenue showed a slight falling off. Freight business has been greatly stimulated by active operation of mines involving heavy movement of supplies used at mining camps, also by improved lumber and building trades, and general merchandise traffic. The movement of troops, equipment and supplies for the government in connection with Mexican troubles has also helped to increase traffic. In the ten months ended April 30 Southern Pacific earned nearly $19,000,000 more gross than in the corresponding period last year, representing a gain of 17.6%. Net earnings increased over $9,836,000, or 33%.

Southern Railway.—From the rate of earnings in the first nine months of the current fiscal year, it would appear that Southern Railway's balance for dividends would run close to $7,800,000 for the twelve months ending June 30. This would mean 13% on the $60,000,000 preferred stock, or 5% on the preferred and 4% on the common. Monthly gains in gross are running at a higher ratio, the gain for April having been 16% and for March 18%. Declaration of extra dividends of 1% on the preferred and 2% on the common stocks by Alabama Great Southern will add to Southern Railway's other income, since the latter has a controlling interest in each issue.

Union Pacific.—April gross earnings scored another increase of over $2,000,000. Net earnings also made a satisfactory showing, increasing $1,423,380, or 83.2% for the month.

Wabash.—April net earnings after taxes show an increase of $578,030 over April last year.

Wheeling & Lake Erie.—This road's net earnings for April show an increase over the same month of last year of $204,763.

INDUSTRIALS

Acme Tea Co., Inc.—The stores taken over by this company reported sales of $5,787,821 in first four months of 1916, a gain of $1,265,821, or about 27% over 1915. Net for the current year is estimated at $650,000. After allowing 7% on both $2,750,000 first preferred and $500,000 second preferred, there would remain $422,500, equivalent to a little more than 12% on the $3,500,000 common. This company operates 423 stores, located in 80 cities and towns.

American Car & Foundry—The report of this company for the 12 months ended April 30 last is expected to show a small surplus earned over the regular 2% dividend on the outstanding $30,000,000 common stock. This does not include any profits from war business received during the past

year. Orders on this company's books now include some business from China, Cuba and South America. The present high prices for steel are giving the car manufacturing companies some anxiety.

American Coal Products—Earnings are running at the rate of more than $50 per share on the common. The dividend on the preferred for the full year was earned in the first four months of this year, and an amount equal to 15% on the common was also shown. The present plans of the company call for a stock dividend of 7% at the next meeting, besides the regular dividend of 1¾% on the common stock. Cash and stock dividends this year are expected to total 22%.

American International Corporation—According to present plans, this company will confine its activities to encouraging and financing development of waterworks, light and heat services, tramways, railroads, etc., in foreign countries by American concerns, and has several such contracts under negotiation. It will also devote its energies to developing steamship lines, although it does not intend to purchase any ocean tonnage direct.

American Locomotive—This company closed orders during the week ended May 30 for 66 locomotives. It also reports an order for $9,000,000 three-inch fuses. Interests in close touch with the company estimate that net for the common stock for 1915-16 will be well over $9,000,000 and probably near $10,000,000, or 38% on common. Monthly earnings have shown a steady gain.

American Writing Paper—The production of this company is establishing new high records. A recent week showed a production of 360 tons, or 720,000 pounds of paper daily as compared with the 1915 average daily production of 265 tons It is expected that in the first half of this year the company will earn better than the entire year's interest and sinking fund charges of $950,000. The three previous years showed a deficit after charges.

Atlas Powder—Declared the regular quarterly dividend of 2% and an extra dividend of 3% on the common stock, both payable June 10.

Bethlehem Steel—For the five months ended May 31 net is expected to exceed $25,000,000. Surplus after depreciation, interest on bonds, and the preferred dividend for the first five months of this year will run close to $140 a share on the common, not including the net income of the Pennsylvania Steel Co., which is doing the largest business by far in its history.

Chandler Motor Co.—Production of cars this year is expected to exceed 17,000, compared with 5,000 last year. The company is expected to earn between $25 and $30 a share this year.

Chevrolet—On a 96,000 car production this year, Chevrolet is expected to earn $40 a share. It is planned to greatly increase this production in 1917. Plants have an estimated capacity of over 200,000 cars.

Crucible Steel—April earnings show an increase of about $300,000 over those of March and are the highest yet reported.

Cuba Cane Sugar Corporation—It is expected earnings will show in excess of $25 per share on the common stock this year, after allowing for preferred dividends, etc. Payment of dividends on the common is not being considered at present, but the steadily improving position of the company would make this a possibility of the not far distant future.

Driggs-Seabury Ordnance Co.—This company is expected to earn 70% on the common stock this year, and estimates of as high as 120% are made.

Du Pont Powder Co.—This company declared a regular quarterly dividend of 1½% on the common stock and a special dividend of 23½%, making 25%, of which 5.8% is payable in cash and 19.2% in Anglo-French bonds. Dividends are payable June 14 to stock of record May 31.

Gaston, Williams & Wigmore—Shipments on the French order for 20,000,000 pounds of tobacco have been started. This company is making the bulk of the shipments on its own vessels.

General Motors—Earnings of this company are estimated at the annual rate of 160% on the common stock. It is not improbable that an extra dividend will be paid after the close of the fiscal year year July 31. President Nash says the cash position of the company is very strong, $3,000,000 in excess of a year ago.

Goodyear Tire & Rubber—Stockholders have voted to increase the amount of preferred stock from $7,000,000 to $25,000,000.

International Harvester Co. of N. J.—The 1915 report shows earnings equal to 16.1% on the $40,000,000 common stock as against 13.4% earned on same stock previous year.

International Harvester Corporation—Reports for 1915 a surplus after preferred dividends of $1,620,141, as compared with $2,162,595 in 1914. This surplus has been carried to a contingent reserve account.

International Nickel—For the year ended March 31, 1916, this company reports earnings equal to 26.80% on the $41,834,600 common stock, as against 13.31% the previous year.

Kress & Co. (S. H.)—120,000 common and 50,000 preferred shares of this company, both of par value of $100, are being traded in on the New York Curb on a when, as and if issued basis.

May Department Stores—It is estimated current earnings this year should show about $2,750,000, or nearly 15% on the common stock, after providing for the preferred dividend.

Peerless Truck & Motor—Net earnings in April were approximately $200,000 or at the rate of $2,400,000 annually. Profits this year are expected to be equally as large as in 1915, when $12 a share was earned.

Pennsylvania Gasoline Company.—Application has been made to list the stock of this company on the New York Curb.

Saxon Motor—Securities to be listed on the New York Stock Exchange. Shipments of 3,405 cars in April created a new record for any month, and an increase of 1,667 cars over March. Pres. Ford states that at no time this year has the company been able to catch up with orders on hand.

Steel Co. of Canada—Net earnings for the first quarter of this year were $1,800,000, or at the rate of $50 a share on the common stock. This company shortly expects to increase the capacity of the plant to 1,200 tons of steel per day, when it will commence the manufacture of 8-inch and 9.2-inch shells, for which it has a large contract.

Union Bag & Paper—Reorganization plan expected to provide for a reduction in capital stock from $27,000,000 to $10,000,000, to be all of one class. The present $11,000,000 preferred it is planned to give 80% in new stock and the $16,000,000 common, 20% in new stock. It is believed that if the reorganization plan goes through, the company's credit will be well established and its future growth assured. It is planned to increase the company's business.

United Cigar Stores—The 1915 report of this company shows net income equivalent to 7.68% earned on the $27,162,000 common stock after providing for preferred dividend.

United Motors—This company is a merger of five automobile accessory companies, including Perlman Rim Corporation, and was incorporated under the laws of New York on May 12. The company has 1,200,000 shares of capital stock without par value. The stock was oversubscribed about twice. It is stated that at the present time practically every large automobile company is a customer of one or more of the five companies making up the United Motors Corporation.

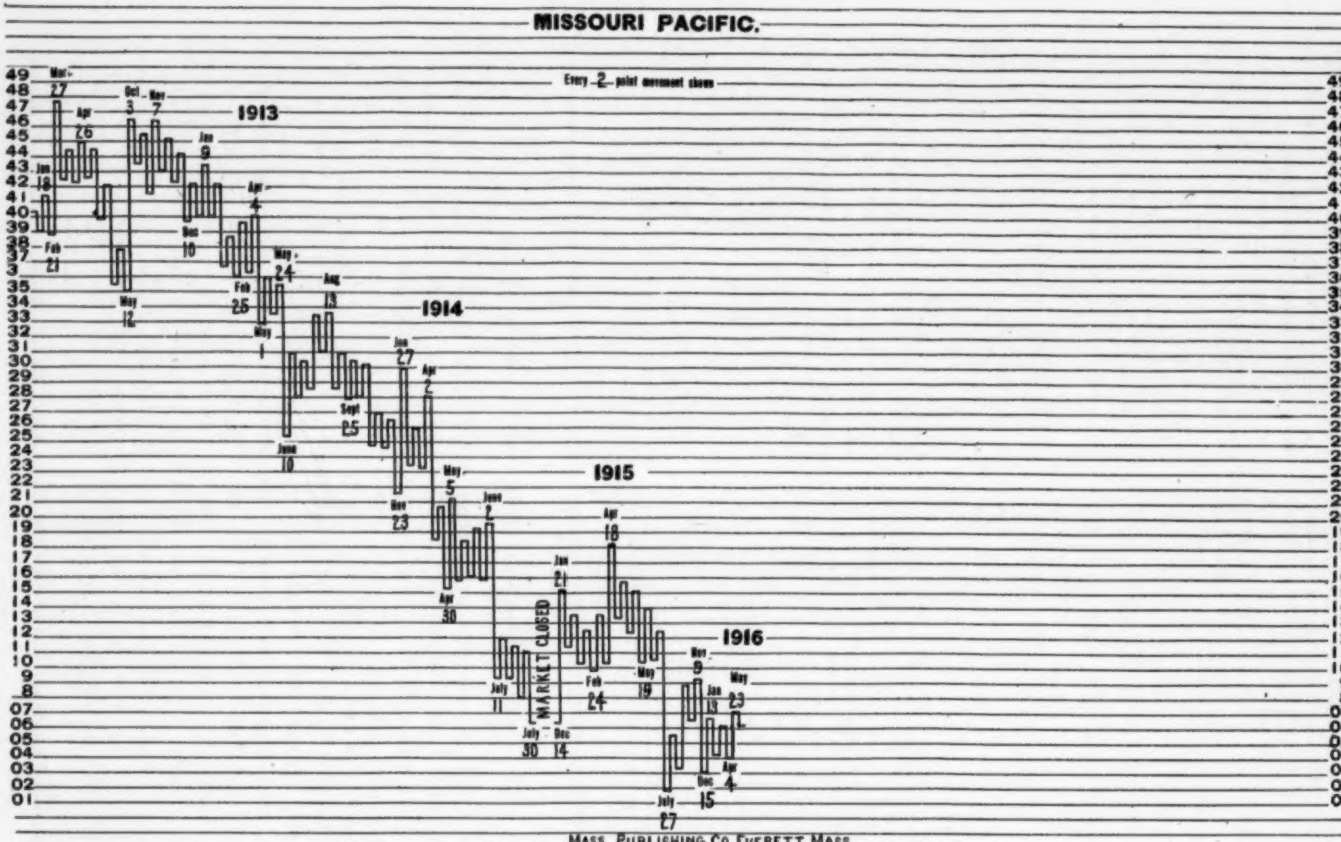
U. S. Cast Iron Pipe—Earnings are running about 300% ahead of 1915. Prospects for summer business are excellent.

Westinghouse Electric—Report for year ended March 31 last shows a balance after preferred dividends of $9,386,880, which is equal to 17.83% on the $52,644,800 outstanding common stock, as compared with a balance of $1,729,835 the previous year. Recent bookings of this company have been at a rate of $100,000,000 to $120,000,000 a year, which is far beyond the plant capacity.

White Motor—This company has closed a contract with the French government for 800 trucks and further contracts are now pending.

The Beginning of a New Era

I know of no finer or more honorable body of men than the presidents of our American railroads. There is not one of them now in office who owes his position to inherited advantages, to protection, to anything, in fact, but his own qualities of mind and character. With few exceptions, the men in active charge of large businesses or corporations in this country have made their own positions; the vast majority started at or near the bottom of the ladder. There is no center in the world where the label counts less, where it is less possible to bequeath position, however backed by wealth, where the shine and effect of a great name is more quickly rubbed off if the bearer does not prove his worth, where the acid test of personal efficiency is more strictly applied, where merit is more certain to come to the top, than in the great mart of American business.—OTTO H. KAHN, in *The World's Work*.



MARKET FLUCTUATIONS OF COMMON STOCK

In previous issues the following charts have been published: Bethlehem Steel, U. S. Steel common, Reading, Republic Steel, Colorado Fuel & Iron, Chicago, Milwaukee & St. Paul, Copper Prices for thirty years, American Car & Foundry, Baldwin Locomotive, Utah Copper, Consolidated Gas, Erie common, Beet Sugar common, Crucible Steel, Butte & Superior, American Cotton Oil, American Sugar common, Maxwell Motor common and panoramas of railroad and industrial stocks.

BONDS AND INVESTMENTS

Latin-American Investment Opportunities

How War Has Opened Up a New Investment Field for American Capital—Some Attractive Opportunities Under Certain Conditions.

By FREDERIC M. HALSEY

Statistician. Author, "The Railways of South & Central America," Railway Expansion in Latin America," etc.

SEVERAL months ago, in an article written for THE MAGAZINE OF WALL STREET. I directed attention to Latin America as an investment field, mentioning several important companies whose securities looked like very attractive purchases under certain conditions. Since that date quite a number of Americans, thanks presumably to a market letter issued by a certain statistician of nation-wide fame, have purchased shares in four of the companies mentioned in my article, viz.: Buenos Ayres Great Southern Railway, Buenos Ayres Western Railway, Buenos Ayres & Pacific Railway and Central Argentine Railway and New York bankers have been recommending these shares to their clients.

Attractive Under Certain Conditions

The writer is firmly of the opinion that a number of Latin American stocks and bonds would be very attractive purchases under certain conditions, but only under these conditions. As previously advocated in these columns, every effort should be made to have these securities listed here in the American markets, especially on the New York Stock Exchange. There are at this time so many obstacles standing in the way of making investments in Latin-American stocks in their present markets, the principal market being London, that the intending purchaser should study conditions thoroughly before entering orders. If stocks are purchased either in Great Britain or in France and are shipped out of either of these countries they cannot be resold, in accordance with decrees promulgated by the two governments above mentioned, presumably until after the end of the war. Therefore, there are two courses presenting themselves to the intending investor:

(1) The stocks may be purchased and transferred to the purchaser's name, in which event, as stated, the stocks must be held until the embargo is lifted by the authorities abroad.

(2) Arrange to have securities transferred to some reliable bank or institution abroad and have said bank collect dividends, which they will, of course, remit to this country. By following this method the securities would, of course, be salable at any time. Direct the bank holding the stock to send a certificate of ownership to the purchaser.

The usual commission charged by New York brokers in purchasing these securities abroad varies from ¼ per cent. to ½ per cent. of par, or $25 to $50 for each £2,000 ($10,000) of stock.

If satisfactory arrangements could speedily be made, and it is only a question of time before they will be made, to have Latin-American securities listed here in New York, a fairly active market would be created. Among the securities which might readily be recommended for speculation or investment are the following, all of which certainly look attractive under present conditions, and

which would be splendid bargains if readily marketable.

Central Uruguay Ry. of Montevideo Ordinary Stock

The railway under discussion is about 1,000 miles in length, including various so-called extensions, and is the principal commercial highway throughout the Republic of Uruguay. The system is of considerable importance, earning in excess of $6,000,000 in normal years, and extending through a country capable of great development. There has been much talk of opposition lines being built by the Uruguayan Government, and this has had a more or less depressing effect on the stock at different times. The projected government lines will not likely be built, excepting only in local territory, for many years to come, and ere that time arrives, there will be sufficient business for all.

There is £2,000,000 "Central" Ordinary Stock outstanding at the present time. In former years very substantial dividends were paid, including 6½ per cent. paid in 1913. Since the war dividends on this class of stock have been suspended. However, as conditions have for some time been on the mend in Uruguay, there being an enormous demand for that country's products, dividend payments should be recommenced ere long. This stock which has a nominal par value of £100, but which may be had in multiples of that sum, viz., £1, etc., sold as high as 114 per cent. during 1912 and 106½ per cent. during 1913. At the date of the closing of the London Stock Exchange, July 27, 1914, the price was 80 per cent.

Peruvian Corporation Preference Shares

These shares are more or less speculative; nevertheless they offer excellent opportunities to realize substantial profits. The Peruvian Corporation was formed in the year 1890 in the interest of the vast army of investors holding bonds of the Republic of Peru, said Republic having defaulted on £51,423,190 obligations, principally on account of the disastrous war with Chile, wherein the latter Republic acquired through conquest the vast nitrate deposits which are today its principal source of wealth. The corporation took over and agreed to finish a number of railway lines which were then uncompleted, and was granted the right of free navigation on Lake Titicaca. The Government also turned over to the corporation 3,000,000 tons of guano and agreed to pay the sum of £80,000 annually until October, 1923. The annuities, which were promptly paid until the European War, are secured by the custom receipts of Callao. The corporation has likewise made other investments from time to time.

The present capitalization of the Peruvian Corporation consists of £4,975,450 of an original issue of £6,000,000 Mortgage Sinking Fund bonds, on which interest is paid at the rate of from 4 per cent. to 6 per cent. in accordance with annual profits; £7,500,000 4 per cent. Cumulative Preference Shares and £9,000,000 Ordinary Shares. The nominal par value of the shares is £100; they are obtainable, however, in multiples of £1, etc.

Dividends

Dividends at the rate of 2¼ per cent. per annum were paid during the years 1910-11 to 1913-14, inclusive. Prior to the year 1910 the dividends were usually smaller. During 1914-15, owing to the war, the corporation's earnings were so greatly reduced that only ¼ per cent. was paid. Only one-half of the £80,000 subsidy was received from the Government during the year and the balance remains due and unpaid. To June 30, 1915, a total of 78½ per cent. in dividends were in arrears on the Preference Shares. These shares are selling at the date of writing at about 22 per cent. of par, or at about $105 per £100 par value. This price compares with 32½ per cent. at the date of the London closing, July 27, 1914, and with 54⅞ during the year 1913.

The earnings of this corporation should increase considerably in the near future (A). The various railways and the steamship line on Lake Titicaca will

---

(A). Gross earnings of the Peruvian Corporation's railway lines for the nine months ending March 31, 1916, were 7,178,877 soles, an increase of 1,045,344 soles. (A sole is equal to approximately 46 cents U. S. Gold.)

profit greatly by the increased demand for copper, silver and other minerals found in large quantities in the Andean plateau districts of Peru and Bolivia. Most of the minerals taken from the famous Cerro de Pasco Mine, which mine was recently financed on a large scale by New York capitalists, is shipped to tidewater over the Oroya Railway owned by the corporation. Likewise along the various railway lines oil has been discovered in large quantities; most of the oil fields remaining undeveloped. Connecting railways have been planned to extend down the eastern slope of the Andes to tap the rich forest lands in the lower country; and to reach navigable tributaries of the mighty Amazon River. All of these developments will means increased revenues to the Peruvian Corporation, and larger dividends.

The Preference Shares, under the conditions heretofore discussed, certainly look like a real attractive speculation. When conditions are restored to normal and when the full benefits may be derived from the opening of the Panama Canal with the consequent development of commerce and trade, Peru will boom, and with it will boom the shares here recommended. The Ordinary Shares are not likely to obtain any dividends for many years to come. They, however, sell at only about 4 per cent. of par value ($19 per £100), and could easily double in value following a boom in the Preference Shares.

Leopoldina Railway Ordinary Shares

The Leopoldina Railway operates about 1,850 miles of railway wholly located in the Republic of Brazil. Its terminus is at Rio de Janeiro, from which point (and from Nichteroy opposite Rio) it extends northward and northwestward into the higher country. The railway was originally built by Brazilians, but was so costly that it could not be profitably operated. A score of years ago it was reorganized under British management and the capitalization considerably scaled down. The company has consistently paid dividends on its Ordinary Shares since 1899; in only one of the years, 1901 to 1914, inclusive, was the rate less than 3 per cent. The maximum rate was 4½ per cent. paid in 1907; during 1913 and 1914 4¼ per cent. per annum was paid. In 1915, owing to the general demoralization brought about by the war in Europe, only 1 per cent. was paid and it seems hardly likely that the 1916 rate will be higher.

The present capitalization of the Leopoldina Railway consists of £1,000,000 5 per cent. Debentures; £4,495,300 4 per cent. Debenture Stock; £2,845,340 5½ per cent Preference Shares, and £5,690,650 Ordinary Stock. The company's gross earnings during 1913 were in excess of $9,000,000; during 1914 and 1915 they were approximately $7,500,000 and $7,300,000, respectively. During 1916, to date, there has been a further decrease. This is explained partially by the lack of steamers available to handle the products raised along the railway's route for export.

The Ordinary Stock here recommended, sold on the London Stock Exchange during 1912 at 86¼ per cent.; during 1913 at 77⅝ per cent. and during 1914 at 76½ per cent. At the date of the closing of the London Stock Exchange, July 27, 1914, the price was 47½ per cent. Today the price is about 35 per cent. of par, or about $1.66 per £1 stock. At this extremely low figure the security certainly looks like a real bargain, and with the return of normal conditions, could easily double in price. Earnings will come back with leaps and bounds some day and this will mean a substantial increase in the dividend rate.

International Rys. of Central America Preferred and Common Stocks

This company is controlled by Minor F. Keith and others associated with the United Fruit Company. The railway extends from Puerto Barrios, Guatemala on the Caribbean coast, via Guatemala City, to San Jose on the Pacific coast. Extensions have been completed or are under construction to the frontiers with Mexico and Salvador, while branches reach important centers in Guatemala. A line is partly completed across Salvador, while grading work is under way in Honduras. The line will in the near future be carried through the latter Republic in Nicaragua, and will be even-

tually extended to Costa Rica and Panama, where connections will be afforded with affiliated lines. The System, when it is completed, will form an important link in the Pan-American Route, which will some day be opened between the United States and South America. Upwards of 520 miles of road have already been completed by the "International."

The company's bonded debt amounts to about $10,850,000, while a total of $10,000,000 preferred stock and $30,000,000 common stock is likewise outstanding.

The company's First Mortgage 60-year 5 per cent. Bonds sold in London during 1914 at 84, while the preferred and common stocks sold at 68 and 22¾, respectively. The latest prices recorded were approximately 68 per cent. for the bonds, 43 per cent. for the preferred stock and 10 per cent. for the common stock. The company paid full dividends of 5 per cent. per annum on the preferred stock to and including the payment made July 29, 1914, since which date, owing to the war, all dividends have been suspended. The preferred stock is cumulative and to date 8¾ per cent. remains unpaid.

Earnings are showing a steady increase and as conditions in these Central American Republics right themselves another epoch of progress will commence. This stock is listed in New Orleans, La., as well as abroad; there is, however, only a limited market in this country. Should the International Railways of Central America decide to list in New York or Boston, a large amount of interest in their shares would likely be created.

On the Bargain Counter

The various securities just described certainly occupy a most conspicuous place on the bargain counter. In addition to the above there are scores of other Latin-American bonds and stocks attractive as investments or speculations. As previously stated, they should be listed here. United effort on the part of New York bankers would secure the listing on the New York Stock Exchange of hundreds of millions par value of these Latin-American securities, and the companies themselves would be greatly benefited, as they would find a ready market in this country for new securities. The important South American railways like our own western lines such as the Great Northern, Atchison, Southern Pacific, etc., must keep pace with the development of the countries which they traverse. This takes capital and capital for railway development is a scarce commodity in Europe just at present. Europe will place little capital in South America for years to come. Should a market be developed here our investors would not hesitate to purchase stocks and bonds of companies operating in Argentina, Chile, Brazil, etc., providing that prices were favorable and the issues safe and secure.

Necessity for a Market

There is certainly food for thought in the above paragraph. We have a golden opportunity to bring before our public an excellent line of securities in large and in many instances successful companies operating in our own hemisphere. The field is new to us, it is true, but it has been thoroughly tested by various European nations, whose bankers are not novices, but are thoroughly capable of judging investment opportunities. Our investments in Latin American securities, if properly placed, will be certain to result in considerable profit and substantial dividends. But we must have a market for these securities!

Borrowing a Million

E. H. Harriman once said that the really rich man was not the one who owned a million but the man who owed a million. Credit is one of the most important factors, perhaps the most important, of our business structure. The man who can borrow a million dollars must possess more than a million dollars in his reputation for business integrity and honesty combined with his ability to achieve results. The qualties that insure such big successes are often the result of small beginnings. The test is in the start.—*Bond Topics.*

Transfer Taxes

Conditions of Double Taxation Affecting Buyers or Sellers of Stocks—Explanation of Methods of Stock Taxation Which Are but Little Understood.

By ROBERT L. SMITLEY

IT very often happens that the customers of a brokerage firm are charged with an extra tax to transfer stock. In almost all cases where this charge appears, the client feels that he has been unjustly charged. He knows that the seller has paid one tax and he can conceive of no condition where it might be necessary for him to supplement this with a second. In like manner there are instances where the seller is charged with a double tax on his sale. This is also an enigma to the customer, who has visions that his broker is either careless or is extracting a little profit from him. It is the purpose in this article to describe certain situations where this double charge is necessary.

A Transfer Is a Sale

The broker's client must first of all realize certain facts. In the first place the State and Federal laws assume that every transfer of stock constitutes a sale. This may not be the actual case, but no affidavit can make the government change its mind. In the second place, there exists no broker who desires to pay this double tax and go into detailed information to his customer. In the third place, the laws of the various stock exchanges prohibit the broker from assuming this extra charge unless the said broker is actually at fault. The above facts therefore are sufficient evidence in themselves that the broker has every reason to evade this extra charge if it is possible.

There are four systems of taxation which affect the buyer or seller of stocks. Each system is based on the same scale and, in each case, a revenue stamp is used on the sales ticket. There are: the Federal tax which covers every state in the Union; the New York State tax; the Massachusetts State tax; and the Pennsylvania State tax. This tax is based on the par value of the stock and is determined at the rate of two cents a share, or fraction of a share, of the par value of $100. If the stock is of no par value, a Federal tax is not necessary, but all the State taxes class No Par as though it were $100. It may be that a stock demands three sets of stamps. Until a definite ruling can be made Baldwin Locomotive, when transferred, requires Federal, New York State and Pennsylvania State stamps. Stocks of the Pennsylvania Railroad do not require Pennsylvania stamps. Every corporation interprets the laws after its own fashion, as is the case with respect to legal documents. The seller always pays the tax.

Examples of Double Tax

The following hypothetical situations are instances when the customer should be charged with the double tax for purchase, sale or transfer. In the cases to follow, the broker would be transgressing the laws of his exchange if he assumed the tax, charging it to any of his firm's accounts:

1—Delay in Giving the Broker a Name for Transfer

The customer must realize that, technically, the law demands that the same set of stamps used to effect the sale of a security must be applied to the particular stock involved. However, this rule is impossible and the best the broker and transfer companies can do is to match the stamps and security as closely as possible. For example, if a security is released from the transfer office on May 26, it is manifestly impossible to use stamps to transfer it again dated May 8. Brown puts in an order to buy 20 shares of U. S. Rubber common at the market on

May 7, 1916. The stock is purchased from the Odd Lot broker the same day and is deliverable by the Odd Lot broker the following day, May 8, 1916. The Odd Lot broker cancels his stamps as of May 8, 1916, but he insists that Brown's broker accept the stocks by transfer. Under the present system of doing business the Odd Lot brokers practically force the commission house to accept, not the actual certificate, but a new certificate direct from the transfer office. If Brown intends to pay for the stock and pays for it on May 7, 1916, telling his broker that he wishes to have the certificate transferred to his name, the broker gives Brown's name to the Odd Lot Firm and there is an end to the transaction. If Brown neglects to tell his broker of the disposition of the stock on May 7, or pay for it, until late on May 8, 1916, or a later date, the broker gives the Odd Lot firm his, the broker's name, and the original sales stamps are used to transfer the stock.

On May 9, 1916, Brown decides to have the stock transferred to his own name, paying for it. The stock is now in his broker's name and the sales revenue stamps are used. To effect the transfer to Brown's name, a new set of stamps must be attached to the stock, and it is Brown's fault that such a course is necessary. Therefore, Brown is charged with the cost of the stamps necessary to make the transfer to his name. The Government and State class a transfer on the books of the company as a sale, whether such transfer is in reality a sale or in fact is not a sale.

2—The Sale of Securities Which Are Not a Good Delivery

All exchanges, including the "curb" have rules regarding the "negotiability" or delivery of securities. These rules are on file in any broker's office and depend upon many conditions. For the purpose of our example, a well-known rule will be used. A certificate of stock accompanied by a detached power-of-attorney is not acceptable to the buyer. Brown presents his 20 shares of U. S. Rubber common with such a detached power. In other words the stock certificate is not released by Brown on the back of the certificate, but Brown has signed a separate piece of paper embodying such a power. Sales stamps are charged to Brown for the actual sale, but before the certificate can be delivered it must be transferred to a name which can be endorsed to the blank power on the back of the certificate. It is a possible chance that the buyer will give his own name, as in the case mentioned previous, but the buyer from the broker is not compelled to give his name, so that the broker may have to first transfer the certificate to his own name. Brown is again responsible and the charge, if necessary, must accrue to him.

3—Delayed Delivery by Seller on Stock Sold Regular Way

Brown sells 100 U. S. Rubber common through his broker, regular way.

"Regular way" means that the actual certificate of stock must be delivered before 2:15 p. m. to the seller the following day. Brown is in St. Louis and the certificate of stock is in his safe deposit vault in New York City. It is manifestly impossible for the broker to get this certificate in time for delivery, so he borrows 100 shares from the margin account of one of his other customers and makes the delivery. Later, the customer from whom he borrowed the stock desires to pay for it, having it transferred to his name. The broker must use Brown's certificate, but he finds that the date of transfer release on Brown's certificate is a later date than that on the sales ticket which accompanied the other customer's purchase. It is without doubt proper for Brown to pay the tax for the other customer's transfer.

There are many variations of this phase of transfer charge. There may be no charge if the broker must borrow the stock from another broker, the lender not demanding the stamps on its return, and it may be that Brown's certificate will match up, as to date, with the original stamps on the other customer's purchase. This is

simply a matter of chance. Again, no buyer is compelled to accept a certificate larger than 100 shares. If Brown sold 7,000 shares and presented one certificate, it would have to be split into one hundred share lots by the transfer office—there would be no charge if it was returned in Brown's name from the transfer office—but the original stamps were used to deliver other stock on Brown's sale, if he delayed presenting the stock until the day of delivery, and Brown must be responsible for future stamps necessary on the new 70 certificates returned.

4—Protecting the Customer's Dividends

It is the duty of the broker to protect his customer on all dividends accruing on stock held for said customer. The various companies recognize ownership as only those whose names are on the books as owners of the stock. If the holder of stock does not have it in his name the day the stock sells ex-dividend, he will have to collect the dividend from the man or firm in whose name the stock stands on the books of the company. Unless such registered holder is accessible and willing to part with the dividend, there is a possibilty of never collecting by the rightful owner. Even when collected, the registered owner usually charges at least one per cent. for his trouble.

Brown holds 100 shares of U. S. Steel Pfd. in a margin account. To protect him, on April 29, the day the stock sells ex-dividend, his broker transfers the 100 shares to his, the broker's name. This insures the dividend coming to the broker to be placed to Brown's credit. On May 14 Brown decides to pay for the stock and have it transferred to his own name. The original sales stamps have been used to protect the dividend for Brown so that Brown must be charged with another set of stamps to get the stock in his own name.

5—Reorganizations and Protective Committees

It is certainly often difficult for the broker to explain to Brown just why he is charged a double tax on reorganizations and for depositing stock with protective committees. But this charge is very necessary and a very legitimate one. Brown owned 100 shares of the stock of the International Mercantile Marine Pfd. If the stock was not in his name and he desired to place it under the protection of the Wallace Committee, he had to pay double tax, or eight dollars. Four dollars went to New York State and four dollars went to the Federal Government. The reason for this is that the original stock had to be transferred to the Committee. This was one tax. Then, a certificate of the committee was issued to Brown. This was a second tax. If the broker had held Brown's stock and had the original sales ticket to present for the first transfer, Brown would then have been charged with only one tax

Broker and Client

The relation between the broker and client with reference to these tax matters is always more or less strained. The broker is appointed an agent by the Federal and State Governments and he has no other alternative than to obey the laws. Inspectors examine his books at various undeterminate periods and the broker must be more than careful. The imposition of these various taxes has doubled his clerical force and clogged the machinery of clerical work. On the other side, the various exchanges have stringent laws relating to commissions. The assuming of any legitimate tax by the broker, is classed as splitting commissions, for which act the broker is liable to suspension or expulsion. The only time a broker is permitted to pay a tax is when he can prove that such a tax is on account of an error on his part, or on the part of his clerks.

The Customer's Duty

On the other hand, it is the customer's duty to find out why charge is made against him. The broker can always give the reason, and where the reason is one of the foregoing or an indirect result of one of the foregoing, the customer must be charged with the tax.

Bond Inquiries

Bonds Yielding 5%

W. A. F., Niagara Falls, N. Y.—The following named bonds yield over 5% on the money invested and can be regarded as reasonably safe. They also have good prospects of improving somewhat in value:

INDUSTRIAL

Midvale Steel 5s
American Can 5s
Republic Iron & Steel 5s
Railway Steel Spring 5s

RAILROAD

Seaboard Air Line refunding 4s
Kansas City Southern refunding 5s
Southern Pacific convertible 4s
Chesapeake & Ohio refunding and improvement 5s

PUBLIC UTILITY

Northern States Power 5s
United Light & Railways 5s
Montana Power 5s
Hudson & Manhattan 4½s

N. Y. Air Brake 6's

S. B. R., Rochester, N. Y.—New York Air Brake first mortgage 6s cannot be called before maturity, May 1, 1928. The only way the company can retire any of this issue would be to purchase the bonds in the open market and cancel them.

Sinclair Oil Bonds

S. R. D., Youngstown, Ohio.—Sinclair Oil & Refining Co. bonds we believe to be an attractive investment issue with good possibilities for a speculative advance, as they are convertible into stock at 55. These bonds appear to be very well secured.

High Grade Municipals

L. F. H., New Rochelle, N. Y.—The Canadian bonds which you mention we believe to be very excellent investments. We also regard very highly City of Vancouver 4½s, due November 30, 1924, which may be bought to yield 5½%; Edmonton School District 5s, due 1954, which may be bought around 95; Province of British Columbia 4½s of 1925, which may be purchased to yield 5¼%. We know of no taxes except the United States income tax which will reduce the yield. Interest on all of the bonds which we have suggested is paid in New York and coupons are cashed in the ordinary way. There is a fairly ready market for all of these issues. The Province of Alberta is a very rich agricultural Province. We expect to see it increase greatly in wealth and population and thoroughly believe in the bonds of its municipalities.

Advance-Rumely 6's

O. G. A., Washington, D. C.—It is our opinion that Advance-Rumely 6s are a reasonably safe investment and believe you would do well to average your holdings by purchasing more at 90 or less. There are only 3,500,000 outstanding. They mature 1925. A sinking fund of $100,000 per annum starts Dec. 31, 1916 and continues to 1920, when it is increased to $200,000 per annum. The farmers' notes that this company holds, and its cash on hand and current accounts reveiveable, are considerably more than the outstanding amount of bonds.

Col. Gas & Elec. 5s

J. B. L., Buffalo, N. Y.—Columbia Gas & Electric first mortgage 5% gold bonds, due January 1, 1927, are a first mortgage on all property of the company, real and personal, now owned or subsequently acquired. An annual sinking fund commenced July 1, 1910, as follows: 1910-1912, an amount equal to 4% of bonds originally issued; 1913-1916, 5%; 1917-1920, 6%; 1921-1924, 7%; 1925-1926, 8%. January 1, 1916, there were about $14,700,000 outstanding, of which $1,434,500 were owned by the company and $3,333,000 by the Union Gas & Electric Co., a subsidiary. For the year ended December 31, 1915, the company earned its interest charges about 1½ times. This earning power is hardly sufficient to class the bonds as a "first class, safe investment." We should regard it as an excellent semi-speculative bond, suitable for a business man to place a portion of his funds in. Recently earnings have been showing a distinctly improving tendency and we believe these bonds have excellent possibilities of gradually working higher in price.

Gulf, Flor. & Ala. R. R.

K. C. S., Providence, R. I.—The bonds of the Gulf, Florida & Alabama Railway must be regarded as speculative. For the year ended June 30, 1915, this company reported a deficit after charges of $58,504. As the road was only opened as a common carrier January 1, 1913, its possibilities cannot yet be regarded as having been fully developed, and it is quite possible that it will turn out to be a good paying proposition. Until it has demonstrated a better earning power, however, the bonds cannot be considered as having a very high investment value.

Seaboard Air Line 5's

B. A. J., Boston, Mass.—Seaboard Air Line adjustment 5's can be regarded as a good investment for a business man. This company's earnings are showing up well and we believe these bonds have possibilities of working higher. The other adjustment bonds you mention are decidedly speculative. We favor them in the order named: New York Railway adjustment 5's, Green Bay & Western debentures, Hudson & Manhattan adjustment incomes.

PUBLIC UTILITIES

Standard Gas and Electric

Why Dividends Were Suspended—Franchises and Competition—Position of Stocks and Market Outlook.

By E. B. MELVILLE

WHEN Standard Gas & Electric Co. accomplished its long term financing in October of last year by the issue of 20-year 6 per cent gold notes, it turned an important corner in its reconstruction era. This period of rehabilitation dates back to December 1913, when cash dividend payments on the 8 per cent preferred stock were discontinued and replaced in part by the issue of scrip at one-half of the former cash distribution of 2 per cent quarterly. The financing permitted the resumption, December last, of cash payments at the rate of 1 per cent a quarter. The company's progress toward a stronger financial position has been material since that time, and earnings have shown very satisfactory increases.

On June 1, there were retired something over $2,000,000 in 6 per cent convertible bonds from the proceeds of the sale of approximately $2,000,000 Consumers Power 5 per cent bonds which were called by the issuing company at 105. By this transaction Standard will save 1 per cent per annum in interest charges and will of course lower its own direct obligations which will have the effect of strengthening its credit.

Standard Gas & Electric's main difficulty for some two years had been its inability to do permanent financing on a favorable basis. This resulted in its being pressed for working capital.

The item of working capital in the case of a utility company is perhaps of relatively greater importance than in almost any other enterprise. Assured as it now is of sufficient funds to maintain the properties and make enlargements necessary to take care of a growth in business, the company possesses a fundamental adjunct to its future success. At the end of 1915 combined working capital of controlled companies was but $655,291, of which $299,000 was credited to Louisville Gas & Electric, leaving only $356,291 for the remaining 14 subsidiaries. Judged by accepted standards this was entirely inadequate.

The company otherwise possesses the nucleus of a successful enterprise. To begin with, being a holding company, it has the distinct advantages which go with centralized control and administration. This means the giving of expert care and attention to the smallest operating units. Moreover, it makes possible the concentration of financial support when and where most needed.

Properties

Secondly, the company owns or controls 14 properties and participates in the earnings, through stock interest, of two affiliated companies, furnishing light, heat and power to 275 communities with a combined population in excess of 1,800,000. These companies are already established money makers or capable of becoming such, and in addition they have considerable prospects as regards their potential expansion. The accompanying graphic locates the various subsidiary companies and designates the character of their activities. It would not be possible in an article of this length to describe each company separately. Details of their financial and physical condition are, however, fully given in the supplement to the 1915 annual report of the Standard Gas & Electric Co. This report is well worth careful perusal by a stockholder or prospective stockholder.

Competition and Franchises

The company has practically no com-

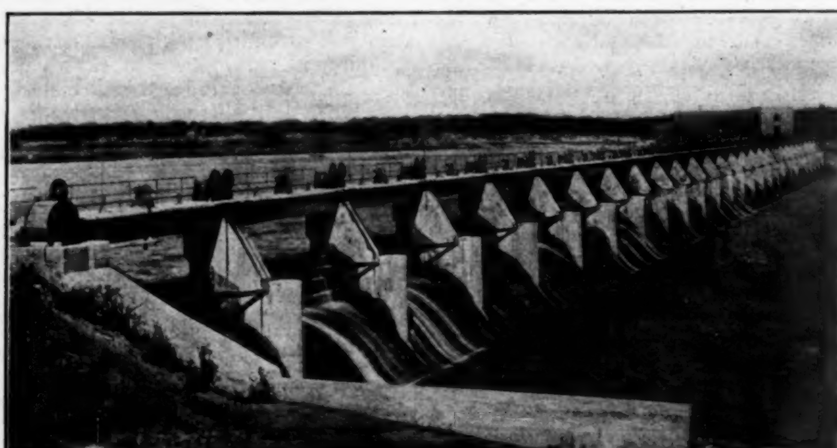
petition, the last trace of it having been removed last year. The franchise situation is stated to be satisfactory, and the relations of the subsidiaries with the communities served are excellent.

Capitalization

Securities	Authorized	Outstanding
Convertible 6% bonds, due December 1, 1926	$30,000,000	*$7,000,000
20-year 6% gold notes (including notes now offered)	15,000,000	3,750,000
6% scrip due Sept. 1, 1923	....	744,196
Preferred stock	30,000,000	11,784,950
Common stock	15,000,000	9,343,150

*Approximate.

Marketable assets of the Standard Gas & Electric Co., including stocks, bonds and other securities, have a value largely in excess of the company's total indebtedness. The present market value of the preferred and common shares is over $9,000,000, or more than twice the outstanding notes.



COON RAPIDS HYDRO-ELECTRIC DEVELOPMENT

In the Mississippi River Eleven Miles Above Minneapolis. Present Installed Capacity 10,500 Electrical Horsepower; Ultimate Capacity 15,500 Horsepower. Length of Structure 2,070 Feet; of Spillway dam, 1,005 Feet. Average head 17½ Feet. Built in 1913-14.

Why Dividends Were Suspended

A survey of Standard's operations prior to the suspension of cash dividend payments in 1913, leads to the belief that the company attempted too great an expansion at a time when its business was adversely affected by general conditions. Investments in additional properties failed to return a reasonable profit and the company was consequently in an unfavorable position to encounter the great depression which followed the outbreak of the European war. The paralysis to business and trade resulting from that sudden and tremendous upheaval was reflected in a curtailment of the revenues of practically every utility company throughout the country.

Fortunately, at this juncture Standard did not have to suffer the additional blow from jitney competition, which fell so heavily on the traction companies. The company is interested in but two street railway systems and these are comparatively unimportant. The management has consistently avoided embarking in undertakings of this nature. Its good judgment in doing so has been amply proven by the ill fortunes of numbers of such enterprises.

Serves Growing Population

The potentialities of the electric light and power industries are too generally understood by the public to require fur-

ther comment here. While the Standard Gas & Electric's subsidiaries, with one or two exceptions, do not operate in manufacturing centres where the development of hydro-electric power facilities is likely to make extraordinary strides in the near future, these companies do serve sections which for the most part are experiencing an active growth in wealth and population. It may be assumed therefore that the companies will benefit by increased use of light and heat in their respective territories.

Oklahoma

In this respect the company's subsidiaries in Oklahoma would appear to be especially favored. Oklahoma is one of the fastest growing states in the Union, and the increase in wealth and population in such cities as Oklahoma City, Muskogee and Sapulpa, where Standard subsidiaries operate is nothing short of phenomenal. The state is garnering a fabulous fortune from its petroleum industry alone.

The Oklahoma properties have been consistent earners, but on account of the demoralized conditions in the oil trade in 1914-1915, Oklahoma felt the pinch of depression very sharply and therefore last year's earnings did not make a favorable comparison with the best on record. The great improvement this year, however, has completely reversed things, and these properties are more than likely to establish new high records in both gross and net earnings.

Louisville Gas & Electric is one of the properties which is coming back in emphatic fashion this year. It failed to earn fixed charges in part of 1915 but has made steady gains since the beginning of the year and is now showing a substantial surplus over all expenses.

The Weak Sisters

There are at present four "weak sisters" in the group, namely, Tacoma Gas & Electric, Everett Gas Co., Fort Smith Light & Traction Co. and the Northern Idaho & Montana Power Co. These four companies jointly earned $150,902, less their interest charges, in 1915.

STANDARD GAS & ELECTRIC COMPANY

Comparative Statistical Summary of the Subsidiary Companies as of Dec. 31

	1915	1914	1913
Electric Consumers	188,623	169,412	149,225
Gas Consumers	130,617	133,049	132,474
Water Consumers	1,927	2,156	2,290
Steam Consumers	1,007	973	883
Telephone Subscribers	2,979	2,788	2,660
Total	325,153	308,378	287,532
Kilowatt Hour Output	421,201,049	380,212,118	339,977,796
Motors	23,440	21,423	18,784
Horse Power in Motors	201,369	183,681	160,856
16-C. P. Equivalents	3,423,933	3,108,410	2,727,970
City Arcs	11,104	11,553	10,854
City Incandescents	23,042	17,295	12,761
Gas Output (cu. ft.)	10,064,650,586	9,243,652,626	9,122,718,102
Street Railway Receipts	$669,083	$767,907	$828,168
Combined Gross Earnings	$15,539,281	$14,451,567	$14,218,676
Net, After Taxes	7,585,603	6,799,217	6,402,550

Earnings

Earnings of the Standard Gas & Electric Co., available for interest charges, for the year to March 31 last were $1,602,343, against $1,451,016 the previous year, and $1,470,145, in 1914. This statement includes only dividends paid by the subsidiary companies and does not take into account the balance of earnings

applicable to dividends, but allocated by the subsidiaries to their surplus. In its last annual report, for the 1915 calendar year, the company evidently endeavors to bring out this point in as favorable a light as possible by presenting a statement which tends to indicate that the entire balance allocated by the subsidiaries to surplus, both for depreciation and reserve, represents net revenue applicable to dividends. The report shows that the Standard Gas & Electric Co.'s proportion of this so-called applicable surplus, including depreciation and reserve, was $605,590 over and above the actual dividends disbursed. On the basis of this compilation it appears that 4.33 per cent was earned on the common stock after allowing the full 8 per cent preferred dividends, whereas if the depreciation had been deducted the percentage earned would have been considerably less than that.

Position of the Stocks

The company as shown above has outstanding 6 per cent scrip to the amount of $744,196. Accrued dividends on the preferred stock amount to 7 per cent. The present dividend rate on that issue is only 4 per cent and if it becomes possible to resume full 8 per cent on the preferred by next year there will be 9 per cent in accrued dividends, besides whatever remains of the above amount of scrip outstanding. The company is retiring this scrip from time to time by exchanging bonds for it.

It appears that it would be the part of wisdom for the company to cancel this entire obligation before considering dividends on the common. At the current level of 36 to 37 for the preferred, the par value of which is $50, that issue has fair speculative possibilities, in view of the steadily improving earnings and financial position of the company, which is bringing nearer the time when dividends in full can be restored.

Common Dividends?

The common, however, is not yet within striking distance of dividends if the company intends to pursue its conservative and constructive policy. Under the circumstances, therefore, it would not seem to be attractive even at its present low price of around 13 to 14.

Public Utility Inquiries

Cities Service Com.

M. B. G., Greensboro, No. Car.—The principal reason for the big advance in Cities Service common has been the excellent results the company is obtaining from its oil and gas properties. Recently, the Empire Gas & Fuel Company, a subsidiary operating in the Augusta and El Dorado oil fields, brought in a well of 7,000,000 cubic feet initial daily capacity. April earnings showed a surplus after charges of $576,190 as compared with $286,209 last year. For the four months ended April 30, surplus after charges was $2,365,401 as against $1,286,853 the previous year. Prospects are that earnings will continue to increase.

United Gas & Elec.

V. C. L., New Haven, Conn.—United Gas & Electric preferred is an excellent investment stock and the common has possibilities. The earnings of this company are steadily increasing. For the three months ended March 31, 1916, surplus available for common dividends was $790,187, as against $547,212 last year. The May 27th issue of The Magazine of Wall Street contained an article on this company which we trust you will find of interest.

Western Union

D. S., Port Dickinson, N. Y.—Western Union Telegraph Co. (95) is showing greatly increased earnings, but this increase, to a certain degree, must be regarded as temporary because it is due to special conditions arising from the war, which has increased earnings from the company's transatlantic cables. We believe the present price of the stock has largely discounted the improved condition, and we do not look for the stock to go very much higher even if the dividend is increased to 6%.

American Public Service

W. A. L., Pawtucket.—American Public Service Company controls properties operating in Texas and Oklahoma. For the year ended April 30, 1915, interest charges were earned twice over. We regard the 6% convertible gold notes as a fairly attractive investment for a business man.

American Public Utilities

J. C., N. Y. City.—The last dividend on the common stock of the American Public Utilities Co. was ¾% paid July 1, 1914. This company's earnings are showing an improving tendency and a resumption of dividends on the common would not appear to be so very far off. Last month, President Brewer, announced that the Wisconsin, Minnesota Light & Power Company, a subsidiary, had closed a contract for the sale to the Northern States Power Company of 40,000 horse power of electric energy from the plant being constructed on the Chippewa River.

Utah Securities

H. R. L., Canal Dover, O.—Utah Securities Corporation is a holding company, controlling public utility properties in Utah and Idaho. In the fiscal year ended March 31, 1915, it earned 3% on its $30,775,000, par $100, capital stock. Current earnings of the companies it controls are reported to have improved since then. There are excellent people behind this company. The stock can be regarded as an attractive long pull speculation. Possibilities of its enlarging its earning capacity are good. No dividends are being paid. The stock is listed on the New York Stock Exchange, and is selling around $17 a share.

This company was incorporated September 10, 1912, in Virginia, as a financing and holding company. The Electric Bond & Share Co. organized the company to acquire public utility properties in Utah, Colorado and Idaho. The properties in Utah and Idaho are operated by the Utah Power & Light Co., and the properties in Colorado by the Western Colorado Power Co. The Utah Securities Corporation owns all the securities of the Utah Power & Light, and that company owns all the securities of the Western Colorado Power Co. and the entire capital stock of the Utah Light & Traction Co.

Winnipeg Electric R. R. 5's

B. S. S., Norwich, Conn.—The Winnipeg Electric Railway Company first refunding sinking fund 5s should be a fair investment for a woman. In the calendar year 1914, the interest on these bonds was earned about 2½ times. Of course all business in Canada has been somewhat affected by the war, and this should be taken into account in purchasing securities of public utility companies doing business there.

Public Light & Power 5s

L. L. T., New Haven, Conn.—The Public Light & Power 5s are due February 1, 1945. There are $850,000 outstanding and beginning January 1 a sinking fund of 10% per annum and net earnings will be set aside for the retirement of bonds. This is a new company, organized in 1915 as a consolidation of several existing companies. The bonds are secured by a first mortgage on four hydro-electric plants, transmission lines and distribution systems supplying electricity in the south-central part of Tennessee to a population of about 25,000. The franchises are reported to be perpetual, and in some of the larger towns exclusive for some 20 or 30 years. These bonds were offered at 90 and interest with a bonus of 40% of common stock. We have been unable to obtain an earning statement of the company and cannot express a definite opinion regarding either the bonds or the preferred stock, but an issue such as this cannot enjoy a very wide market and they should not be purchased with the expectation of immediate resale.

United Railways Investment

D. H., Hoboken, N. J.—There does not seem to be much of a future for United Railways Investment common. The preferred issue ahead of the common is a cumulative one, and there are 46% back dividends due which must be paid before the common can receive anything. No dividends are being paid on the preferred, and none seem likely in the immediate future. Of course, the common stock may be given a speculative upward move, but there seems to be no good reason why it should sell much higher than present levels. Our suggestion would be to sell this stock, or at least protect it with a stop loss order.

Commonwealth Light & Power

M. B. S., Lancaster, Pa.—Commonwealth Light & Power Convertible bonds mature May 1, 1918. They are convertible up to that date into ten shares of preferred and three shares of common. The preferred is 84 bid, and the common 64 bid. If you were to exercise your conversion privilege at the present time, you would get stock whose market value is $1,032 for each $1,000 par value bond. The company is showing considerable improvement in earnings, and it may be that your conversion privilege will become still more valuable. Our suggestion would be to hold your bonds for higher prices.

Interborough Litigation

H. K. M., Brooklyn, N. Y.—The only litigation we know of in regard to Interborough Consolidated Corporation, is suit brought by the City of New York for $4,000,000, against the Interborough Rapid Transit Co. and Alfred E. Craven, Chief Engineer of the Public Service Commission. This $4,000,000 was charged as "Prior-Determination Expense" against the cost of building the new subways. However, we do not believe that this suit is of enough importance to have much of a market effect on the Interborough Consolidated Common.

Notes on Public Utilities

American Light & Traction—For the first four months of 1916 the gain in surplus was between $325,000 and $330,000. Indications are that for 1916 a gain of approximately $1,000,000 will be shown in the amount available for dividends on the common. Large gains in earnings by subsidiaries are reported.

American Telephone & Telegraph—At the rate at which the gain has been running for the first four months of 1916, the surplus after dividends for this system as a whole should on December 31 next be better than $22,000,000, an increase of about 45% over the previous year.

Brooklyn Union Gas—This company has declared an extra dividend of 1% in addition to the regular quarterly dividend of 1½%, payable July 1 to stock of record June 15.

Cities Service—A special meeting of stockholders of this company has been called for June 29, at which time stockholders will be asked to approve increase in authorized capitalization from $60,000,000 to $100,000,000, the increase to be from an authorized $40,000,000 of preferred stock to $60,000,000, and from an authorized issue of common stock of $25,000,000 to $40,000,000. This company has decided on a policy covering dividend payments for common stock. In addition to the regular annual rate of 6% in cash, beginning August 1, 1916, the company will also pay 2% on the common stock in common stock on September 1 and an additional 4% in common stock December 1.

Montana Power—This company declared a quarterly dividend of 1% on the common stock, an increase of ¼ of 1%, and a regular quarterly dividend of 1¾% on the preferred, both payable July 1 to stock of record June 15. April earnings showed an increase of $136,107 in net over March.

Philadelphia Co.—The report for the year ended March 31, 1916, shows surplus available for dividends of $3,857,383, as compared with $2,836,568 the previous year.

Pacific Gas & Electric—The report for year ended April 30, 1916, shows surplus after charges of $4,314,932, an increase of $1,237,280 over the previous year.

Toledo Railways & Light—The tentative plan for the community ownership of the street railway lines of this company has been completed and approved by the city authorities, and also by the New York banking interests. The plan is now being put in final form. The new company will take over the street railway lines and equipment alone.

United Light & Railways.—At a meeting of the executive committee of this company the regular quarterly dividend of 1½% was declared on the first preferred stock. This dividend is payable on July 1, 1916, to stockholders of record at the close of business 3:00 p. m. June 15, 1916. The stock books will close at that hour but will reopen at the opening of business Friday, June 16, 1916.

Western Union—During 1915 night letters and day letters showed a 25% increase over 1914.

MINING AND OIL

Goldfield Consolidated

Rise and Decline of a Great Property Which Has Seen Its Heyday of Prosperity—Diminishing Recoveries from Ores Treated—Earnings and Dividend Record—Estimated Value and Prospects for the Stock.

By MALCOLM B. ARMSTRONG

IN taking up the consideration of Goldfield Consolidated after analyzing Crown Reserve Ltd., one is immediately struck by the many points of similarity. Crown Reserve is, of course, a silver mine, and Goldfield Consolidated, as its name indicates, is a producer of the yellow metal. The names of both companies, in fact, are significant. The Crown Reserve properties were originally purchased from the Canadian Government, *i. e.*, the "Crown," and the latter with true British governmental canniness kept a string on the company in the shape of a tax of 10% of profits in additional to the usual 3% tax which is imposed on all mining companies in the Dominion. This extra tax, maintained as long as profits ran large but suspended in late years, netted the Crown treasury nearly $1,000,000. Goldfield Consolidated derives its name from the fact that it represents a Consolidation of the Goldfield Mohawk Mining Co., the Red Top Mining Co. of Goldfield, the Jumbo Mining Co. of Goldfield, the Laguna-Goldfield Mining Co., the Goldfield Mining Co. of Nevada and the Combination Mines Co. It also controls the Goldfield Consolidated Milling & Transportation Co. and owns $548,835 in stock of the C. O. D. Consolidated Mining Co. in addition to various other mining company holdings. Hence the "consolidation" part of its title is well based.

Goldfield Con. Milling Plant at Goldfield, Nev.

Big Earners and Payers

Both companies have been big earners and big dividend payers in times past. Up to this time of writing Goldfield Consolidated has disbursed to its stockholders more than $29,000,000 or approximately 81% of the part value of its outstanding capitalization while Crown Reserve has returned to its stockholders approximately $6,000,000 or roughly 300% on the capitalization. Thus it appears that the silver mining corporation was much more conservatively capitalized than the gold company. Both came into corporate existence at about the same time, Goldfield Consolidated late in 1906 and Crown

TABLE 1

PRODUCTION, EXPENSES AND OPERATING RESULTS

The Goldfield Consolidated Mines Company and the Goldfield Consolidated Milling and Transportation Company

November 1, 1908, to December 31, 1914

	A	B	C	D.	E	F	G	H	I	J	K
Year Ending Oct. 31, 1909.......	194,479	$ 6,752,380.83	$34.72	$9.63	$ .75	$8.88	$ ...	$ 1,725,761.17	$ 8.88	$ 5,026,619.66	$25.84
Year Ending Oct. 31, 1910.......	266,867	10,273,934.17	38.50	9.48	.18	9.30	1.67	2,926,242.36	10.97	7,347,691.81	27.53
Year Ending Oct. 31, 1911.......	330,549	10,163,127.46	30.74	7.66	.11	7.55	.42	2,636,281.42	7.97	7,526,846.04	22.77
14 Mos. Ending Dec. 31, 1912....	415,786	7,652,045.63	18.40	6.51	.07	6.44	.21	2,765,646.08	6.65	4,886,399.55	11.75
Year Ending Dec. 31, 1913.......	349,465	4,942,828.36	14.14	6.34	.06	6.28	.04	2,210,883.49	6.32	2,731,944.87	7.82
Year Ending Dec. 31, 1914.......	338,192	3,926,348.62	11.61	6.02	.11	5.91	.28	2,091,124.51	6.19	1,835,224.11	5.42
Total	1,895,338	$43,710,665.07	$23.06	$7.33	$ .17	$7.16	$ .41	$14,355,939.03	$ 7.57	$29,354,726.04	$15.49

A—Tons Treated and Shipped.
B—Value Recovered.
C—Average Per Ton Recovered.
D—Average Per Ton Total Operating Costs.
E—Average Per Ton Miscellaneous Earnings.
F—Average Per Ton Net Operating Costs.
G—Average Per Ton Construction.
H—Total Costs.
I—Average Per Ton Total Costs.
J—Net Operating Realization.
K—Average Per Ton Net Operating Realization.

The above statement covers the productive life of the Company; in other words, since the completion of the 100-Stamp Mill.

Reserve in the early part of 1907.

That the great days of both these properties have passed and are not likely to return is evident to even the casual observer. This does not mean that they will not continue as going concerns for several, perhaps many, years to come and will in all probability make further distributions to their stockholders. Nor does it take into account the chance of the "come-back" from the uncovering of unsuspected and rich new orebodies, a possibility inherent in all mines, nor the new lease of life which may come from the leasing—if the reader will pardon the involuntary pun—or the acquisition of other properties.

It simply means that the cream of the original ore bodies has been skimmed and returned to the stockholders in the form of dividends, and that, as "come-backs" are exceedingly rare in the mining world, the probabilities point to a final liquidation within the next few years.

Lessening Ore Reserves

Table 1 with its digest of operating results summarizes recent development in reference to lessening returns from ores mined, and points the moral, as does Table 2 which shows how the trend of the company's stock has been downward since 1909. The column marked A in Table 1 shows that for the year ended October 31, 1909 the company treated 194,479 tons of ore with an average recovery (C) of $34.72 a ton. The highest average recovery per ton was arrived at the following year and was $38.50, from which point it has steadily declined. In 1914 the company treated 338,192 tons with an average recovery of but $11.61 per ton. In short, with a treatment of approximately 145,000 more in 1914 than in 1909, the net returns were $2,800,000 round figures, less than the net returns for the first year tabulated in the accompanying statistics. All of which, transmuted into non-technical terms, means that in the earlier years of the consolidation the company mined its highest grade ores. In column D, the operating costs show a striking decline over the period under consideration, reaching a low point of $6.02 for the year last re-

ported. This is a most favorable commentary upon the ability and efficiency of the management.

Like Crown Reserve's management the management of Goldfield Consolidated has been most frank in its annual statements. The full pamphlet report for 1915 is not yet at hand, but the last published report, that for 1914, goes into operating statistics, details of costs, income, etc., in a thorough manner rare in any corporation reports, much less reports of mining companies.

Earnings and Dividends

The Graphic which is presented with this article gives a clear idea of the essential income figure for the last seven years. It shows that the company has followed the policy of paying out net earnings to the stockholders to nearly the full amount of such earnings each year. The result is that undivided profits or surplus, which had accumulated up to the end of 1914 totaled only $1,604,000 in round figures. The plan of disbursing practically all earnings is warrantable provided the company is regarded as a liquidating proposition, but many mining corporations prefer to follow the policy of building up a strong surplus against the time when it becomes necessary to look around for new properties. In this way the difficulties of new financing are obviated. Herewith are shown Goldfield Consolidated's earnings per share, dividends per share and the total of dividends since incorporation.

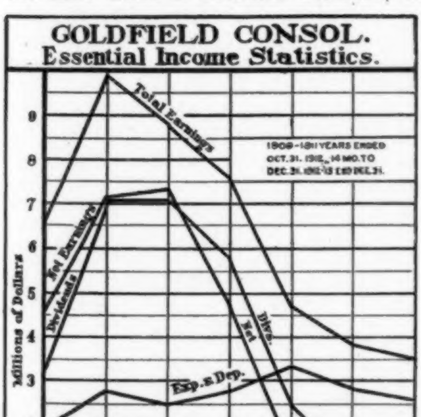


TABLE II

GOLDFIELD CONSOLIDATED STOCK PRICE FLUCTUATIONS

N. Y. Curb Prices

	H.	L.
1916	1 3/16	¾
1915	1⅞	1

Stock Exchange Prices

	H.	L.
1914	1⅞	1⅜
1913	3⅛	1½
1912	5	1⅜
1911	7⅞	3½
1910	9¼	7¾
1909	9 3/16	5⅞
1908	9¼	4⅜
1907	10⅞	3⅝

	Earned Per Share	Div. Per Share	Total of Dividends
1915	$ .23	$ .45	$1,601,616
1914	.52	.30	1,067,744
1913	.77	.70	2,491,403
1912	1.37	1.60	5,794,637
1911	2.11	2.00	7,118,296
1910	2.01	2.00	7,118,271
1909	1.41	.90	3,201,238
1908	.27	..	....
1907	.21	.20	711,829
Total	$8.90	$8.15	$29,105,034

From the total of the first table of the foregoing it appears that the company has only to distribute $1.10 to have returned the full par value of $10 a share to the stockholders. Goldfield Consolidated reports its earnings by months, which for the current year so far reported have been as follows:

	Tonnage	Gross	Net
January	31,000	$209,000	$59,061
February	30,080	221,000	60,315
March	30,000	......	54,127

Thus it appears that Goldfield Consolidated is earning between $55,000 and $60,000 monthly or at the annual rate of about $685,000 per annum. This is at the rate of approximately 20c a share.

Position of Stock

At $1 a share the question naturally arises as to whether the stock has not

fully discounted the conditions at the property. In the case of a gold mine one is on much surer grounds when estimating book and actual values, for the reason that there are no vexatious metal price fluctuations to be taken into consideration. In table 3 we show the last ment, a liquidating value at the present time of say 50c a share, would perhaps not be an unwarranted estimate.

But Goldfield Consolidated, like its parallel mentioned before, is still a going concern with at least several years of life ahead and holdings in other com-

TABLE III

THE GOLDFIELD CONSOLIDATED MINES COMPANY

Balance Sheet

December 31, 1914

Mine Properties	$35,095,289.88	Capital Stock—		
Mine Buildings, Machinery and Equipment	49,176.69	Authorized	$50,000,000.00	
Office Building and Furniture	7,700.57	Unissued	14,408,520.00	
Compressor Plant	15,477.86			$35,591,480.00
Power Station and Pole Line	4,599.13	Accounts Payable		100,804.38
Miscellaneous Real Estate, Buildings and Equipment	18,662.98	Bullion Tax Reserve		8,067,73
Stocks Owned	1,321,018.95	Income Tax Reserve		15,687.02
Unexpired Insurance	406.24	Net Amount Realized from Operations	$29,002,394.06	
Supplies on Hand	77,468.03	Dividends Paid	27,398,215.00	
Accounts Receivable	52,094.78	Undivided Profit December 31, 1914	1,604,179.06	1,604,179.06
Cash in Bank and on Hand	333,823.08			
Bills Receivable	2,500.00			
Advances to subsidiaries	342,000.00			
	$37,320,218.19			$37,320,218.19

reported balance sheet in case the reader prefers to make his own deductions as to the present actual value of the stock.

We estimate, from the balance sheet figures and disregarding property and mining equipment on which any considerable sum wouid not be likely to be realized in the event of dissolution, that the company, after allowing for last year's deficit has net assets available for the stock of about $1,226,000, or the equivalent of approximately 35c per share. Allowing for property and equip-panies which will continue to contribute to its treasury for some time to come. Just how long Goldfield will continue to make money cannot be determined for its ores cannot be blocked ahead for a stretch of years, as in the case of the porphyry mines. It is good opinion that $1 a share is a conservative valuation of the stock at the present time but the buyer at that figure should not delude himself into the belief that he is engaging in other than what appears to be a mining speculation of some promise.

Mining Digest

Ahmeek—Company is completing installation of additional equipment which will enable it to increase production to around 30,000,000 lbs. of copper annually. Its output this year probably will reach 25,000,000 lbs., resulting in net earnings of about $22 for each of its 200,000 outstanding shares. It is estimated the company will be able to earn better than $10 a share annually with copper at 15 cents a pound.

American Smelting & Refining—This company has closed a deal for the purchase of three large steamships for its South American trade. The price paid is reported to have averaged about $700,000 each. It is expected that the May and June earnings of this company will exceed those of April.

American Zinc, Lead & Smelting—Company has just concluded important negotiations, under which it is assured a supply of natural gas for fuel purposes for the use of its Kansas smelters. The company has also obtained a lease of 180,000 acres of land in the gas fields of Oklahoma. American Zinc has today cash on hand exceeding $2,500,000.

Bingham Mines—Is operating its recently purchased Victoria property profitably and is maintaining the regular volume of ore shipments from its Dalton & Lark and other properties. Development work now under way is opening up new ore and shipments will be increased as far as possible to take advantage of the ruling high prices of copper, lead and silver. The company has cleaned up approximately all of its indebtedness. There are prospects that it will earn between $5 and $6 a share on the stock this year.

Calumet & Hecla—Declared quarterly dividend of $15 per share payable June 24 to stock of record June 3. Report for 1915 shows earnings that year were equal to $71.64 per share comparing with $30 a share earned in 1914. It closed the year with a net surplus of cash and quick assets of $6,886,446.

Consolidated Arizona—Profits for April, less charges, were $93,900 net, on a production of 725,000 pounds of copper, 12,000 ounces of silver and 475 ounces gold.

Calumet & Arizona—Declared quarterly dividend of $2 a share. It is expected the company will earn this year somewhere between $17 and $20 a share. The company is financing the equipment and development of the New Cornelia company chiefly out of earnings.

Consolidation Coal—Reports a gain in its tonnage for the four months ended April 30 of 420,000 tons. Company is said to have its output contracted for in the coming year, beginning April 1. During the first four months the output from the company's Elk Horn fields increased practically 200% over the corresponding period last year.

Davis-Daly—For the quarter ended March 31 there was a deficit of $27,504 as against a profit of $3,465 the previous quarter.

Dome Mines—Reports for the year ended March 31, 1916, net profits of $912,379 as compared with $488,498 the previous year. This is at the rate of $2.28 a share.

First National Copper—The Balaklava mine of this company is understood to be showing profits as high as $25,000 a month.

Goldfield Consolidated—The 1915 report shows net earnings available for dividends $822,596 as against $1,036,533 in 1914, a decrease of $213,937.

Granby Consolidated—Produced 3,950,469 pounds of copper in April, slightly less than the normal output. However, net operating profit for the month was almost at the rate of $50 a share annually. The management is showing no disposition to relax its efforts to increase production and reduce the cost of copper. Company is now producing from its own mines approximately 300 pounds of copper annually for each share of stock outstanding. When the cost of its copper is reduced to 8½ cents a pound the company will be able to earn $18 a share annually on a 15-cent metal market.

Inspiration Consolidated—This company produced during first four months of this year 32,948,925 pounds of copper. The management intends to maintain as nearly as possible a monthly yield of 10,000,000 pounds of copper, thus ranking as fourth in point of individual production, being exceeded only by Anaconda, Utah and Kennecott.

Kennecott—Shipments from this company's properties are still showing enormous volume. It is estimated that the Alaska properties will produce 120,000,000 pounds of copper this year at a profit of $25,000,000.

Nipissing—Production for April had an estimated value of $167,446, and estimated profit of $101,875, compared with production of $169,999, and estimated profits of $105,541 in March. Arrangements are now being made to reopen some old shafts which contain little high-grade ore, but in which some tonnage of low-grade ore can be mined at a profit at the present price of silver.

Tonopah Belmont—Net earnings for April were $103,430 as against $105,478 in March last and $90,113 in April, 1915. Ore reserves on March 1 were estimated at 142,164 tons.

Tonopah Extension—Report for year ended March 31 shows gross $1,496,564; expenses, taxes, depreciation $925,105; net profit $571,459. Company declared a quarterly dividend of 15%, payable July 1 to stock of record June 10.

Tuolumne Copper—This company has purchased control of the Colusa-Leonard and Butte Main Range companies, whose properties lie just east of Leonard mine and adjoin on the north the Tropic mine of

the Anaconda Co. Tuolumne gets two-thirds interest in Butte Main Range and 51% of Colusa-Leonard in consideration of certain development work which is estimated to cost $500,000. Both properties are partly developed, with shafts about 800 feet deep, and have 80 acres of ground.

Utah-Apex—Declared a dividend of 25 cents a share, payable July 1. The three previous dividends have been 12½ cents a share. Present earnings are at the rate of over $3 per share per annum on the 528,200 shares outstanding. The present production is the largest in the history of the company, with a daily shipment of from 550 to 700 tons. Profits for April were $152,307.

Utah Consolidated—This company is expected to earn $6 or $7 a share this year. After paying its dividend for the first quarterter, of 50 cents and 25 cents extra, it had $7 a share of cash and quick assets in its treasury.

Mining Inquiries

Nat. Zinc & Lead

N. W. A., Manchester, Mass.—National Zinc & Lead's future course in the market will largely depend on how well the price of spelter holds up. At the present time the company is making big money and favorable reports have been made as to development work. Of course, it is impossible to forecast how long spelter will hold up. At the present time this metal is showing a downward tendency. Stock is paying 4% monthly, with occasional extra dividends.

Alaska Gold

G. D. A., Houston, Texas.—We believe Alaska Gold an excellent stock to hold for a long pull. With the present capacity of the mill, this stock would appear to be worth at least $25 per share. It is planned to increase the mill capacity and when this is done, the earning power of the company should be sufficient to justify a considerably higher price. The stock is now selling around 22½.

Internat. Nickel

I. R. S., Harrison, N. J.—International Nickel controls about 80% of the total nickel production of the world. It is planning to still further increase its output by the building of another refining plant. For the year end:d March 31, 1916, the company earned $6.7 on its stock. Current earnings, however, are reported to be at the rate of between $8 and $9 per share per annum. The company did not unduly advance the price of nickel because of the war, and for that reason present earnings must not be considered abnormal. We believe the stock has good possibilities of ultimately working above its present price of 46.

Kennecott

T. S. M., Chambersburg, Pa.—We are rather inclined to favor Kennecott. It is the big producing companies that are reaping the benefit of the present high price of copper and for that reason we are inclined to favor them to companies which are still, to a large degree, in process of development. Kennecott is paying $4 per share per annum and it is expected that this will shortly be increased to $6. Earnings are running at the rate of well over $15 per share.

Shattuck-Arizona

C. E. M., Boston, Mass.—Shattuck-Arizona is at the present time earning at the rate of close to $12 per share per annum. As this company produces considerable silver in addition to copper, the recent advance in the price of silver to 74 cents is of material benefit. It must be remembered in connection with this company, however, that with the metal at more normal levels it has not shown very large earning power. We believe it quite probable that this stock will advance somewhat from present levels, but we would be inclined to prefer Miami, or Inspiration, or Kennecott. The market action of these three stocks has been somewhat better than Shattuck-Arizona, and our suggestion would be that you switch to one of these.

Canada Copper

A. S., Broklyn, N. Y.—Canada Copper must be regarded as a decidedly speculative stock. The property is still largely in the prospective stage, but it appears to have good possibilities. At the moment, we are not suggesting the purchase of speculative securities. The stock market appears to be in a distributive period and there is not likely to be very much of an extended upward move.

Ely Central

P. T. M., Bound Brook, Pa.—The information we were able to obtain on Ely Central was all to the effect that the proposition is practically dead at the present time. This company is controlled by the Consolidated Coppermines Company, of 60 Broadway, N. Y. City. Consolidated Coppermines has uncovered some good ore and this stock has fair possibilities of going higher. You may still be able to exchange your Ely Central for Consolidated Coppermines stock and in case you can do so, we believe that you should. We suggest that you write a letter to the Consolidated Coppermines Company and find out on what basis they will exchange stock.

Oil Notes

Columbus Oil & Fuel Co.—Declared a dividend of 10% on the common stock, and a quarterly dividend of 1¼% on the preferred stock, payable June 1. Common dividend was declared from sales of oil from Ohio fields.

Cosden Oil & Gas—This company has begun active development work on the 240-acre tract in the Cushing field, which it recently purchased. Officials of the company are confident that the new purchase will result in increasing the output well above the 8,500 barrels now being produced daily.

Cosden & Co.—Will increase its stock to $6,000,000 and declare a cash dividend of 50%. As the laws of Oklahoma do not permit payment of stock dividends, it was necessary to make this payment in cash. The company will continue dividend payments on the old as well as the new stock at 2% regular and 5% extra quarterly, or at the rate of 28% a year.

Mexican Petroleum—In the current year will show net close to 20% on the $39,200,000 stock outstanding. Company has just closed a contract for the sale of 11,250,000 barrels of crude oil over the next four years.

Midwest Refining—Reported that earnings are running at the rate of $500,000 net a month. If this rate is maintained it will amount to about 30% on the $18,000,000 capital stock for the year, an increase over 1915 of 48%, the best showing the company has ever made.

Ohio Oil—Declared the regular quarterly dividend of $1.25 per share and an extra dividend of $4.75 per share, payable June 30 to holders of record May 26.

Pan-American Petroleum & Transport—Sales of oil contracted for amount to more than 30,000,000 barrels, spread over a period of years. This company has recently purchased two additional tank steamers, which will make a total fleet owned and under charter of 23 vessels.

Pure Oil Co.—The Quaker Oil & Gas Co., a subsidiary, has declared a dividend of 1,000%, payable forthwith. The capital stock on which this dividend has been declared is $50,000. It is not known exactly what amount of stock of the Quaker Co. is owned by the Pure Oil Co., but it is believed to be around 90%.

Sinclair Oil & Refining—With constantly increasing earnings, it is estimated that net for this year will be nearly $15,000,000, including the refinery earnings. This company is now producing 20,000 barrels daily.

Standard Oil Co. of New Jersey—Arrangements have been made by this company to put three more of its tankers into Mexican service for shipment of oil on its contract with Penn Mexican Fuel Co., enabling the latter to ship about 500,000 barrels a month. At an average price in excess of 50 cents a barrel net on such shipments would run around $200,000 a month, or at rate of $2,500,000 a year.

Standard Oil Co. of Ohio—Company has declared usual quarterly dividend of $3 a share, and extra dividend of $3 a share, payable July 1. Stockholders of this company have authorized a stock dividend of $3,500,000 or 100%. Action has also been taken to increase the capitalization to $7,000,000. This action was based on a surplus December 31 of $6,749,000.

Texas Co.—It is stated that crude oil production is running at the rate of 60,000 barrels daily, and that combined production and refinery profits range from $1.25 per barrel up. The company is saving $150,000 on each vessel being built at the recently leased Sewall Shipyards, Bath, Me.

Oil Inquiries

Muskogee Refining

C. J., Ft. Wayne, Ind.—Muskogee Refining Company is showing good earnings, but these earnings are only likely to continue at their present rate while boom conditions are on. We are not generally suggesting the purchase of oil stocks at the moment. The boom in oil is probably at its top now and that is not the time to buy the oil stocks. The time to buy the oil stocks is before the boom is well under way.

Midwest Oil

I. O. W., Milwaukee, Wis.—The drop in Midwest Oil was largely due to the rather poor annual report for the year ended December 31, 1915. Net earnings were $281,548 as against $449,553 the previous year. 1916 should show up much better, however, as much bigger prices are being received for oil. The company is in excellent financial condition, with only $38,635 current liabilities as against nearly $200,000 current assets. We believe this stock has good possibilities of recovering somewhat from its present price of 48.

Buckeye Pipe Line

L. S., New York City.—It is generally thought in well informed circles that Buckeye Pipe Line has seen the worst and that conditions in this company should gradually improve, and the stock work up somewhat

from the present level. Our suggestion, therefore, would be for you to keep this stock rather than to sell out at present low levels. We do not think it would be a good idea for you to switch from Buckeye Pipe Line into some other active stock, as in that way you take the chance of losing twice, once on the Buckeye Pipe Line and the second time on the other stock which may not go up as expected.

Pennsylvania Gasoline

A. C. A., Chicago, Ill. — Pennsylvania Gasoline Company is capitalized with 1,000,000 shares of stock, par value, $1. Recently 350,000 shares of the stock were offered for sale at par. There are no bonds or preferred stock. This company is incorporated under the laws of Delaware and is engaged in the production of natural gas and the manufacture of high grade gasoline, which it produces from natural gas. At the present time two plants are in operation, one located at Bradford, Pa., and the other at Red House Township, New York. This company owns the leases of the oil and gas rights on approximately 5,000 acres of what is known as the Hoffman Leases, situated in McKean County, Pa. At present there are three producing gas wells on this property, with drilling locations for 230 more. Present production is at the rate of 1,000 gallons of gasoline per day, and the management expects that within 90 days it will have completed its piping arrangements and new plant units to a point where total production will exceed 4,000 gallons daily. By the end of 1916, a 9,000-gallon per day production is expected. The company can produce gasoline for 6 cents per gallon. The company is negotiating contracts for the gasoline rights on 1,000,000 feet daily production of gas, so that it will not be entirely dependent on its own production. The stock is, of course, speculative, but it appears to have good possibilities.

Standard of N. Y.

N. A. C., Sulphur, Okla.—Standard Oil of New York is an excellent security. This company has a large export business which, when the war is over, it should be in a position to further increase. We believe, however, that if you wait a while you will be able to purchase this stock somewhat lower than the price at which it is now selling for, 212.

Federal Oil

H. R. F., Bronx, N. Y. City.—Federal Oil ($1) owns 11,000 acres of oil leases located in the oil producing territories of Mexico and Texas. Recently it was stated that the company had secured a lease on some promising oil property in Kentucky, and that drilling operations will be pushed systematically. This company cannot be regarded as anything else but a prospect, however, and we are not inclined to favor the purchase of its stock.

Indian Refining

S. M., Cincinnati, Ohio.—The stock of the Indian Refining Company must be considered highly speculative. This company in recent years has been a rather poor performer, but its outlook at the present time is brighter than for some time past. In 1915, this company's net profits were $790,793, practically all of which were charged off for reserve, amortization, contingencies, etc. The profit and loss deficit of the company December 31, 1915, was $2,686,322. The present boom in oil has put practically all of the refining companies in the country in the way of making substantial profits. It is quite likely that it will be the means of putting Indian Refining Company substantially on its feet. We would consider it rather ill-advised for anyone holding this stock to sell out at the present time in view of the bright outlook for the refining business.

Sapulpa Refining

S. M., Elmira, N. Y.—Sapulpa Refining is paying dividends at the rate of 1½ per cent monthly, or 18 per cent per year. The par value of the stock is $5.00, and this would be equal to 90c. per share per annum, so that you are receiving dividends on your 50 shares at the rate of $45 per annum. Sapulpa Refining may have another advance should the boom in oil continue for some time longer. We do not expect to see it go to 19 again, however, in the near future.

Cal. Petroleum Pfd.

E. W. A., Freeport, L. I.—California Petroleum pfd. is highly speculative. It is impossible to give any definite idea as to what its future market course should be. This will largely depend on how much oil the properties of this company produce. The flow of oil from its wells have been uncertain in the past. Should the company strike some new big gushers, the stock would probably have a speculative advance to considerably higher levels. On the other hand, if development work does not produce anything to speak of, the stock will probably work lower. The stock within the last few days has shown a tendency to advance. A good idea would be to put in a stop loss order on half of your stock three points away from the market and as the stock advances, follow it up with the stop loss. In this way you would limit your loss to a certain extent, should the stock go the wrong way. California Petroleum for the year ended December 31, 1915, reported a deficit of $49,157 after paying 4¾ per cent on the preferred stock, during the year. This deficit, however, was after charging off as a special reserve $222,007, compared with $325,839 the previous year. For the year ended December 31, 1914, company showed a surplus of $212,542 after paying 7 per cent on the preferred.

TOPICS FOR TRADERS

Keeping Track of Your Trades

A Simple Method of Keeping "Tabs" on Your Trading Account—Value of Such a System and How it Is Operated.

By RALPH HILSCHER

IN computing profits and losses on margined stock transactions probably the large majority of traders are satisfied merely to make a rough comparison occasionally between the funds on hand, plus the market value of stocks held, and the amount of cash that has been used in trading. In the end, when all transactions have been closed, such a comparison, of course, gives an accurate measure of the net results of all the trades and, to be sure, the end result is of greatest importance.

For those who are not satisfied with rough approximations while trading is in progress and who prefer to figure with reasonable accuracy what the net result of each transaction is, a system of book-keeping aimed to take into consideration the various items involved is herewith presented.

Complication of Margins

In computing yield there is introduced more or less complication in margin accounts due to the fact that the margin frequently changes. The system here described is aimed to take this condition into account. It also involves keeping a summary to date of all previous completed transactions with the accumulated profit or loss, as the case may be, figured on a per-annum basis.

The form of record used is illustrated in Fig. I. To explain the use of this form a brief series of transactions has been assumed. It will be observed that aside from the stock transactions there are entries made in the form for "credit balance." There are times when a trader has a credit balance with his broker, and such balances must be considered as temporary investments at whatever rate of interest, if any, the broker pays on these funds, hence the necessity for considering them much in the same light as stock investments. In the computations used here it has been assumed that the trader pays interest at the rate of five per cent. on debit balance and receives three per cent. on credit balance.

TABLE I—DEPOSIT WITH BROKER

			Amount.	Deposit to Date.
Aug.	16.	Cash deposit	$3000.00	$3000.00
	31.	Interest on debit	3.50	2996.50
Sept.	24.	Mkt. profit on Am. Beet Sugar	109.00	3105.50
	29.	Mkt. profit on Baldwin Loco	817.40	3922.90
	30.	Interest on debit	12.30	3910.60
Oct.	31.	Interest on debit	6.15	3916.75
Nov.	1.	Cash withdrawal	500.00	3416.75
	30.	Interest on debit	8.90	3407.85
Dec.	22.	Mkt. loss on Nat. Enameling	101.95	3305.90
		Mkt. profit on Nat. Enameling	9.85	3315.75
	29.	Mkt. loss on Nat. Lead	167.30	3148.45
	31.	Dividend on Nat. Lead	37.50	3185.95
		Interest on debit	6.95	3179.00
Jan.	12.	Interest on credit	3.15	3182.15
		Cash withdrawal	3182.15	0.00

Explanation of Fig. I

The various columns of Fig. I are ex-

FIG. I

RECORD OF STOCK TRANSACTIONS

NAME OF STOCK	1 No. Shares	2 Date of Purchase	2 Date of Sale	3 Time Held Years	4 Cost Price	4 Sale Price	5 Actual Investment	INVESTMENT YIELD: 6 Market Profit	6 Market Loss	7 Dividends Received	8 Carrying Charges	9 Net Profit	9 Net Loss	SUMMARY TO DATE: 10 Accum. Equiv. Investment for 1 year	Accumulated Yield: 11 Profit	12 % Per An'm	11 Loss	12 % Per An'm
Am. Beet Sugar.	50	8-16-15	9-24-15	0.104	$3206.25	$3315.25	1595	$109.00	......	.....	$7.90	$101.10	......	166	$101.10	61.0	......	....
Bald. Loco.	25	9- 1-15	9-29-15	0.08	2198.30	3015.70	1040	817.40	......	.....	4.40	813.00	......	249	914.10	367.	......	....
Credit Bal.	..	9-29-15	11- 1-15	0.09	....	....	2415	......	......	$6.50	....	6.50	......	465	920.60	198.	......	....
Credit Bal.	..	11- 1-15	11- 6-15	0.016	....	....	1920	......	......	.90	....	.90	......	496	921.50	186.	......	....
Nat. Enam.	50	8-16-15	12-21-15	0.35	1496.20	1394.25	1020	......	$101.95	.....	7.50	......	$109.45	853	812.05	95.0	......	....
Nat. Enam.	50	11- 6-15	12-21-15	0.123	1384.40	1394.25	755	9.85	......	.....	3.75	6.10	......	946	818.15	86.5	......	....
Nat. Lead	50	11- 6-15	12-29-15	0.145	3361.80	3194.50	1875	......	167.30	37.50	9.90	......	139.70	1218	678.45	55.7	......	....
Credit Bal.	..	12-29-15	1-12-16	0.038	....	....	3180	......	......	3.70	....	3.70	......	1339	682.15	50.9	......	....

plained in the following paragraphs, reference being made to the numbered headings.

1. This column is for the number of shares represented in each transaction. A transaction is taken here to involve a single block of stock bought and sold as a unit. It will be noticed in the series of transactions assumed here that Nat. Enameling was bought on two different occasions and the whole sold at once. This must be considered as two transactions.

2. These columns are self explanatory. In the case of "credit balance" the dates refer to the beginning and end of the period that such funds existed.

3. Self explanatory.

4. These columns are for the cost and sale prices charged or credited by the broker and include such items as brokerage fees and taxes.

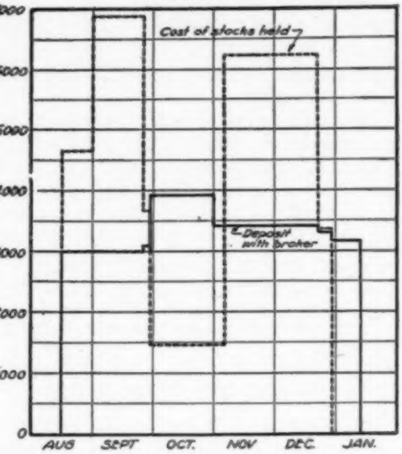
5. The amount which one actually has invested in a particular stock is measured by two quantities plotted in Fig. II.

Explanation of Fig. II

The full line in this plot represents the amount of money deposited with the broker, which consists of the following: Cash deposits, plus dividends credited, plus market profits, plus interest received on credit balances, minus cash withdrawals, minus market losses, minus interest on debit balances, etc. These items are set down in an account similar to Table I, which should be brought up to date each time the broker's monthly statement is received. It should be explained here that "market profits" and "market losses" mentioned above represent merely the difference between cost price and sale price. The second column in Table I is cumulative and shows the total deposit with the broker on each particular date. In plotting these amounts it is unnecessary to try to indicate the minor fluctuations, as will later be apparent from the use made of the plot.

The dotted line of Fig. II represents the cost of all stocks held. An account similar to Table II is kept in which an entry is made each time a stock is bought or sold, the totals of the second column, which are plotted, being figured by adding the cost price when a stock is bought

FIG. II



and subtracting the cost price when a stock is sold.

To use Fig. II in determining "actual investment" take, for example, the transaction in American Beet Sugar, which was held from Aug. 16 to Sept. 24. Determine the area during that period between the dotted line and the base line of the plot, which is a simple geometric calculation. Let us say this area is found to be 23.2. Then figure the area during the same period between the full line and the base line, which is, say, 11.5, or 49.7 per cent. of the larger area. This means that the actual average investment in this stock was 49.7 per cent. of its cost price.

A More Complicated Example

The case of Beet Sugar just cited is comparatively simple as that stock was held on margin during the entire period, and is probably typical of the majority of transactions. A case that is more complicated is that of the first transaction in Nat. Enameling. In this instance during a portion of the time that the stock was held there was a credit balance with the broker. In a case like this the stock is owned outright during a portion of the time and it is necessary to proceed as follows: First, figure the actual average investment, as above, during the time that it was held on margin, and multiply that amount by the number of days it was so held. Next, add to this product the cost of the stock times the number of days that it was owned outright. Finally, divide this sum by the total number of days the stock was held. The result is the actual average investment.

When there is a credit balance the dotted line, of course, drops below the full line. The "actual investment" in this case may be read from the plot direct as the vertical distance between the dotted and full lines, or may be taken from Table I.

It will be apparent that the figures in column 5 of Fig. I cannot be estimated with great precision by this graphical method and consequently there is no object in attempting to compute them to nearer than even dollars.

6. These columns represent the differences between cost price and sale price, as already explained.

7. In this column should be placed such items as are in the nature of current income on the investment, such as

TABLE II—COST OF STOCKS

			Purchase Price.	Total Cost of Stocks Held.
Aug. 16.	50 Nat. Enameling	Bot	$1496.20	$1496.20
	50 Am. Beet Sugar	Bot	3206.25	4702.45
Sept. 1.	25 Baldwin Loco.	Bot	2198.30	6900.75
24.	50 Am. Beet Sugar	Sold	3206.25	3694.50
29.	25 Baldwin Loco.	Sold	2198.30	1496.20
Nov. 6.	50 Nat. Enameling	Bot	1384.40	2880.60
	50 Nat. Lead	Bot	3361.80	6242.40
Dec. 21.	100 Nat. Enameling	Sold	2880.60	3361.80
29.	50 Nat. Lead	Sold	3361.80	0.00

dividends, value of rights received, interest on credit balance, etc.

8. Carrying charges consist of interest paid on debit balance. To determine interest charged against any particular transaction estimate the average rate of interest paid during the time the stock was held on margin, then apply this rate to the average debit balance during that period. This debit balance is determined by subtracting from the cost price the "actual investment" during this same period.

9. The net profit or loss, as the case may be, on a particular transaction equals the market profit or loss, plus dividends, minus carrying charges.

10. In order to determine the accumulated result of all transactions to date, reduced to an annual percentage basis, it is necessary to know what the annual investment has been. Column 10 contains figures which represent this amount after each transaction is completed. For example, the actual investment in American Beet Sugar was $1,595 for 0.104 year. This is equivalent to investing $166 for a whole year, determined by multiplying 1,595 by 0.104. The next transaction was in Baldwin Locomotive, in which there was invested $1,040 for 0.08 year, or $83 for one year. Adding this on to the previous amouunt gives $249 as the accumulated equivalent annual investment to date. The numbers in this column, of course, continually become larger as the number of transactions increases.

11. The accumulated yield in dollars is recorded in the columns numbered 11, and is figured by adding net profits when they occur and subtracting net losses. Which of the two columns the accumulated yield will fall in depends upon whether profits or losses predominate.

12. Dividing the figures in column 11 by those in column 10 gives the percentage yield per annum of all transactions to date.

System Not Complicated

At first sight it may appear that this system is very complicated and involves rather too much labor to make it worth while. Whether this is true in any particular instance will depend largely upon the personality and industry of the individual. There is, of course, a certain amount of work required, but no more, it would seem, than one who risks his money on stock speculation should be willing to expend in order to keep an accurate tab on his transactions. After the system is thoroughly understood there is, in fact, little difficulty in readily making the necessary computations.

Your Views on the Market

may be of interest and value to your fellow readers. Why not send them in? THE MAGAZINE OF WALL STREET is always glad to hear from the members of its big family of subscribers. Become one of our contributing editors. Many a man has an idea or two tucked away in the back of his brain which he means to expand into print "some day," and some of those ideas are inspirations. We will be glad to print short meritorious contributions on the market or other financial topics, either using the writer's name or withholding it, as requested. The interchange of ideas is what keeps the world revolving; so if you have a gem of a thought or an opinion, don't let it die overnight, but "shoot it in."—Editor.

Technical and Miscellaneous Inquiries

Proxies

Q.—What is gained and what is lost by giving a proxy or withholding it? Which is the better course? If given should it be general for "all matters and questions lawfully presented," or is it better to limit it, and in what way?—B. H. A., Stapleton, N. Y.

Ans.—You do not really lose or gain anything by not sending in your proxy unless there is a fight on for the control of the company. If there is some question as to which interests have actual control of the property, it would then be important, if you owned any quantity of stock, to send your proxy to the interests in which you had the most confidence, and under whose management you believe the property would be best developed. When there is no question as to who controls the company, proxies are sent out in any case, in order that the largest amount of stock possible will be represented at the meeting. A proxy if given should be general for "all matters and questions lawfully presented."

Selling Short

Q.—When selling short do you have to pay interest on the difference between the selling price and the margin? If I sell a stock short just before the books close for a dividend and the price drops back, say 2 points, and I buy back at 2 points less than at the price at which I sold short, do I make the two points? —D. P. L., Toledo, Ohio.

Ans.—When you are short of a stock you have no interest to pay. If you sell a stock short before the books close for a dividend and purchase it back after the stock has sold ex-dividend, you are obliged to pay the dividend. For example, suppose Union Pacific was sold short at 143 and the next day it sells ex-dividend at 141, at which price you cover. You would then make two points profit on your transaction in the market, but it would net you nothing as you would be obliged to pay the 2% dividend. The Magazine of Wall Street has not recently published an article dealing particularly with short selling. We will be pleased to answer any question you may ask in regard to this at any time. The Magazine of Wall Street sells a book "The Business of Trading in Stocks." This was written by a successful trader of many years experience and covers in detail all methods of operating in the stock market. The author does not use technical language and the book is perfectly clear from cover to cover to the unitiated. The price is $2.06, postpaid.

Position of the Market

Q.—You say the market is in a distributive period. Some brokers claim it is in an accumulative period. Prices, except in isolated cases, do not seem to have risen exceptionally and, as I understand it, distribution is only practiced when prices are high. Where am I wrong in the above statement?—G. D. C., N. Y. City.

Ans.—We believe the trend of the market to be downward, although the present rally may go somewhat further. Wall Street is getting ready to discount the end of the war and a possible depression in this country thereafter. You say, prices are not high. They are very high compared with the prices prevailing before the war. In fact about the only class of stock which has not advanced unduly is the railroads, and the railroads still have to face the labor question. While it is generally believed that this will be satisfactorily settled, there are likely to be a few scares before it is, in which case the opportunity probably will be presented to purchase the rails considerably under present prices.

Unlisted Securities

Q.—Can unlisted securities be safely purchased on margin?—S. B. R., Kingston, La.

Ans.—Unlisted securities can be purchased as safely on margin as any other stock, except that the margin should be larger, as they do not have as good a market.

MARKET STATISTICS

		Dow Jones 12 Inds.	Avgs. 20 Rails	50 Stocks High	50 Stocks Low	Total Sales	Breadth (No issues)
Monday	May 22	120.26	108.76	88.98	88.05	848,900	205
Tuesday	" 23	127.27	108.38	89.10	87.85	852,000	196
Wednesday	" 24	127.77	107.18	88.94	87.90	789,200	187
Thursday	" 25	125.38	106.76	89.16	87.98	679,400	207
Friday	" 26	124.17	106.58	88.76	88.14	379,600	182
Saturday	" 27	124.58	106.26	88.18	87.67	218,300	149
Monday	" 29	123.57	106.89	88.25	87.66	255,100	145
Tuesday	" 30	STOCK EXCHANGE CLOSED (Decoration Day)					
Wednesday	" 31	123.41	106.68	88.46	87.85	333,100	173
Thursday	June 1	122.96	107.06	88.29	87.53	352,100	187
Friday	" 2	124.32	106.63	88.47	87.19	776,300	210
Saturday	" 3	128.12	106.87	87.82	87.22	243,100	143

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Industrials	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1909	1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
International Nickel, com	8	1.7	....	....	27.9	26.3	11.8	11.2	13.3	26.8	46	60.8%	No regular div. rate. Last quarterly div. $2.
Inter. Mer. Marine pfd..	0	0	....	9.4	8.7	7.3	11.1	....	50.0	....	96	52.0	Reorganization plan. Back div. 81%.
Butte & Superior.......	3	3.3	....	....	....	....	3.5	5.2	33.48	....	89	37.5	Earning at rate of $40 per share. Extra div.
Am. Coal Production....	7	4.3	....	....	....	10.5	10.8	10.3	49.0	....	160	30.6	Extra div. to be expected.
Bethlehem Steel com....	30	6.7	—1.6	6.5	6.7	6.9	27.4	30.6	112.5	....	445	25.1	Turning out shells rapidly and economically.
B. F. Goodrich com.....	4	5.2	....	....	....	2.4	0.8	4.1	17.17	....	76	23.9	Current earnings showing increases.
Amer. Woolen com.....	5	1.0	5.2	2.2	2.1	2.1	—19.9	0	10.8	....	46	23.5	Big war orders.
U. S. Indus. Alcohol com	0	0	....	2.0	4.0	5.0	1.9	1.9	33.22	....	159	20.8	War contracts.
Central Leather com....	4	7.4	6.3	—2.1	—5.1	8.6	5.2	6.4	10.8	....	54	20.0	Current earnings good.
Studebaker com	6	4.3	....	....	....	4.9	3.1	12.7	27.5	....	138	19.8	Earnings running ahead.
Va.-Carolina Chem. com.	0	0	7.1	10.4	3.1	3.3	0.5	3.4	7.6	....	42	19.0	Prospects for good fertilizer business in 1916.
U. S. Rubber com......	0	0	4.0	7.8	2.2	6.3	9.8	8.0	10.0	....	56	17.8	Business continues satisfactory.
Amer. Agric. Chem. com	4	6.2	7.5	10.4	9.1	7.3	5.2	7.7	11.0	....	67	16.4	
General Motors com....	20	4.0	....	....	15.7	17.3	38.8	37.5	81.2	....	500	16.2	Business good.
Willys-Overland com ...	6	2.0	....	....	....	....	26.5	25.9	45.0	....	294	15.3	Outlook for 1916 bright.
Am. Hide & Leather pfd	0	0	11.2	—5.6	0.8	3.2	3.6	0.8	7.4	....	50	14.8	Earning best in history.
West'h'seEl. com(par $50)	3	4.9	....	3.8	6.4	3.1	4.1	5.4	2.4	8.9	61	14.5	Large profits from war orders.
Am. Smelt. & Ref. com.	4	4.1	7.7	7.1	9.1	10.1	7.5	6.0	14.0	....	97	14.4	Doing a big business. Extra dividend.
Inter. Harv. of N. J. com	5	4.4	17.8	14.8	14.2	15.2	14.5	13.4	16.1	....	113	14.2	Business increasing. Gov't suit.
Utah Copper (par $10)..	6	7.4	2.9	3.4	3.9	5.3	5.0	5.3	11.0	....	81	13.6	Big production.
General Chem. com.....	6	1.8	14.4	15.6	15.5	14.4	13.4	13.3	44.26	....	325	13.6	War helped business. Extra div.
Amer. Cotton Oil com..	4	7.5	10.4	6.8	1.2	6.5	3.4	2.0	7.05	....	53	13.4	Controls 17 sub. companies.
Nat. Enam. & Stamp. com	0	0	1.1	1.0	1.1	1.6	1.9	0.3	3.01	....	23	12.7	Business excellent.
Rep. Iron & Steel pfd...	7	6.2	8.1	11.7	7.8	8.9	12.4	4.1	14.06	....	112	12.5	8% back dividends.
Miami Copper	6	1.6	....	....	0.7	2.8	1.7	1.6	4.5	....	36	12.5	
California Petroleum pfd	4	8.0	....	....	....	....	11.4	11.6	6.1	....	50	12.2	Earnings shown here are before deducting special reserve fund.
Amer. Linseed pfd......	0	0	5.8	4.5	2.6	2.8	3.0	1.8	6.02	....	48	12.5	Earnings reported very satisfactory.
Tenn. Copper (par $25).	3	6.7	1.7	2.2	2.0	5.5	4.8	3.2	5.3	....	43	12.0	Profits from sale of sulphuric acid.
Continental Can. com..	5	5.0	....	....	....	....	12.1	4.7	12.05	....	100	12.0	Earnings running ahead.
U. S. Steel com........	5	5.9	10.5	12.3	5.9	5.7	11.1	0.3	9.94	....	84	11.8	Steel business booming.

Am. Beet Sugar com....	6	7.7	7.0	7.3	10.9	13.5	3.9	2.3	8.7	....	78	11.1	Earnings big.
N. Y. Air Brake.........	8	6.1	....	4.5	0.5	5.7	6.5	6.4	15.43	....	130	11.1	Big war orders.
Corn Products pfd......	5	5.2	8.2	6.9	7.0	6.8	7.6	7.7	10.62	....	95	11.1	Divs. in arrears 18%. Business good. Gov't suit.
Union Bag & Paper pfd.	0	0	6.2	5.4	5.5	5.3	1.6	1.7	3.3	....	30	11.0	Capital readjustment.
American Can pfd......	7	6.3	6.7	6.8	7.1	14.2	9.7	10.7	12.2	....	111	10.9	Arrears 8¾%. Big war orders.
Western Union	5	5.3	5.8	5.7	5.4	4.0	3.2	5.4	10.24	....	95	10.7	Earnings big. Extra dividends.
Crucible Steel pfd......	7	6.1	8.2	14.5	10.2	13.7	19.6	4.1	12.3	....	116	10.6	Back dividends 24¾%.
Pacific Mail	0	0	1.7	1.1	1.0	0.1	0.1	1.5	2.4	....	23	10.4	New interests in control.
Amer. Tobacco com.....	20	9.9	....	....	....	30.4	28.1	21.0	21.0	....	203	10.3	Earnings continue good.
Inter. Paper pfd........	2	4.2	2.7	4.5	5.3	5.4	4.4	5.1	5.0	....	49	10.2	31% cum. div. in arrears.
S. S. Kresge com (par $10)	6	5.0	....	....	....	8.0	1.4	2.0	1.1	....	12	10.0	Business good.
Mexican Pet. com......	0	0	....	....	4.6	5.9	11.2	4.7	10.5	....	107	9.8	New company formed.
Woolworth, F. W., com.	7	5.1	....	....	....	8.9	11.0	10.7	13.4	....	137	9.7	Expects to show record year.
U. S. Realty & Impt....	1	2.8	9.2	9.7	9.4	8.3	9.2	8.2	5.0	3.7	38	9.6	Business picking up.
Sears, Roebuck com....	7	3.8	18.4	20.5	17.0	19.3	21.2	14.5	17.6	....	184	9.5	Earnings good.
Distillers' Securities	6	1.2	2.2	2.3	3.1	1.5	1.2	2.3	4.6	....	49	9.3	Large contracts for alcohol taken.
North American	5	7.4	6.0	6.2	6.2	7.2	6.7	6.4	6.1	....	67	9.1	Controls St. Ry. & Elec. light Cos. in No'west.
Anaconda (par $50)....	6	7.3	3.5	3.5	3.8	7.1	5.3	3.9	7.2	....	83	8.6	
Diamond Match Co.....	6	5.4	11.0	11.6	12.6	13.2	11.0	9.1	9.4	....	111	8.4	Scarcity of potash embarrassing.
People's Gas Lt. & Coke.	6	5.8	8.9	9.0	8.9	7.5	8.2	8.6	8.38	....	102	8.2	Price of gas in dispute.
Baldwin Loco. com......	0	0	....	....	1.4	11.5	13.1	....	7.14	....	88	8.1	War orders.
Allis-Chalmers pfd	6	7.2	....	....	....	....	4.6	0.2	6.8	....	83	8.1	11½% back dividends due.
Natl. Biscuit com.......	7	5.7	7.4	7.7	9.8	10.0	9.6	11.7	9.5	....	121	7.7	Increased cost of materials unfavorable factor.
Maxwell Motor com....	0	0	....	....	....	....	....	0.3	6.5	....	85	7.6	Record earnings.
Pressed Steel Car com..	0	0	7.7	5.5	0.1	0.8	10.5	0.1	3.59	....	46	7.5	War orders..
Natl. Lead com.........	4	5.9	6.2	4.3	3.6	3.8	3.6	3.7	5.0	....	67	7.4	
Ry. Steel Spring com...	0	0	5.3	6.0	0.3	5.8	1.3	4.2	3.09	....	43	7.1	1916 outlook bright.
Amer. Tel. & Tel.......	8	6.1	9.0	10.4	10.0	9.3	9.6	9.4	9.4	....	130	7.1	Large equities in sub. co. earnings.
General Electric	8	4.1	7.4	16.7	14.5	16.2	12.9	11.1	11.6	....	169	6.8	Working at capacity. War orders farmed out.
Cons. Gas (N. Y.)......	7	5.1	6.7	7.4	7.6	7.5	7.2	7.1	8.5	....	139	6.2	Sub. cos. have large undistributed surplus.
Pittsburgh Coal pfd.....	5	4.8	3.0	7.2	5.1	7.5	10.1	5.1	6.1	....	99	6.2	New company formed.
Pullman	8	4.8	10.9	11.6	9.3	8.7	9.3	9.0	8.8	....	164	5.3	Earnings good.
Greene-Cananea Copper.	1	2.0	....	....	....	4.3	2.3	1.9	....	....	46	4.1	Operations resumed.
Amer. Sugar Ref. com..	7	6.3	3.9	3.8	9.6	8.7	1.9	4.3	5.5	....	111	4.0	
Sloss-Sheffield com	0	0	6.6	2.0	0.6	0.8	2.1	0.2	1.7	....	54	3.1	Big earnings. Prospect for dividends good.
Ray Cons. Cop. (par $10)	2	8.7	...	....	0.2	1.3	1.8	1.6	2.9	....	23	1.2	Record earnings.
U. S. Cast Iron Pipe pfd	0	0	1.2	4.4	3.9	4.2	4.7	0.5	0.6	....	51	1.1	Business picking up.
Am. Malt Corp. pfd.....	2	5.6	6.2	3.0	8.8	9.3	4.6	3.7	0.1	....	35	0.3	Divs. in arrears 30½%. Business increasing.
Amer. Car & Fdy. com..	2	3.3	2.6	6.6	7.1	2.5	4.1	5.5	0.1	....	59	0.2	War orders.
Amer. Loco. com.......	0	0	3.1	1.3	7.3	0.5	17.7	1.3	13.0	....	72	0	Plants at capacity.
Int'l Agri. pfd.........	0	0	....	....	....	....	....	2.3	—1.2	....	53	0	Profits from sulphuric acid sales.
Chino Copper (par $5)..	4	7.5	....	....	....	2.5	3.5	3.4	7.0	....	53	1.3	Record earnings.
Amer. Steel Foundries..	0	0	0.1	6.1	—1.5	4.6	6.1	—1.4	—1.8	....	50	0	Earnings picking up.
Colo. Fuel & Iron com..	0	0	2.1	4.0	3.2	4.8	4.6	—3.1	—1.4	....	41	0	Improved steel condition. Pref. 52% in arrears.

COTTON AND GRAIN

Trading in Wheat

Profitable Trading Means Keeping Ahead of the Crowd—Get Acquainted with Your Broker—Value of Correct Information.

By ARTHUR PRILL

Article 5

THE American milling trade is depending for the present ease of its transactions on the perfection of Exchange trading methods.

Millers must suit the convenience of customers by contracting to sell and deliver flour at different future intervals, although the miller but rarely has storage room for many month's supply of wheat. The capacity of the mill's rolls, too, is limited to average actual requirements from day to day; hence the mill has no recourse except to buy *Futures* which are deliverable at or beyond the required dates and on which present flour prices can be calculated.

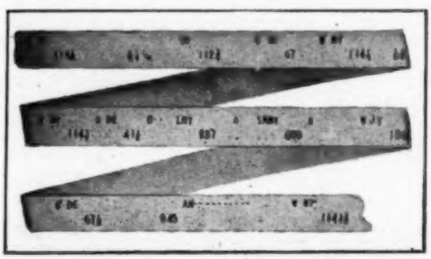
Maintenance of prices near normal levels is materially aided by the constant appearance of thousands of small speculative orders in the pit. When wheat is offered at steadily falling quotations, people with spare funds who have *learned* grain, reason that an upturn must come sooner or later as certainly as water returns to its level. They buy for future delivery, and if their action was well timed, are in position to sell at a profit by the time or before their contract is due. When enthusiasm has carried prices above the line warranted by facts, the speculator sells wheat, and as soon as equilibrium between hopes and facts is re-established, the amount may be bought in at less than the purchase price. This usually happens long before the "future" sold falls due. The differ-

A corner of the CUSTOMERS' ROOM in a well appointed Brokerage Office. Boys mark on the blackboard every price movement in grain, provisions and stocks as it is announced by the tickers.

ence, less a small commission for the broker's service, is net profit. Futures are not weighted with transportation or any other charges.

All human laws are occasionally inadequate or are boldly defied. The police force doesn't need an annual parade to demonstrate its existence, but few of us ever see a baker and recognize him as such. It remains, however, that harmful over-speculation is considerably rarer than murder, divorce or the every-day, grinding misery, that seldom reaches the top of a newspaper column.

Wheat *Corners* are abnormally strong movements due to heavy purchases by an individual or a clique. Spectacular corners of a manipulative character are now rendered impracticable by Board of Trade rules, but natural corners may develop from such conditions as drought or war.



TAPE of the Grain and Provision Quotation Ticker.

Tape of the Grain and Provision News Ticker, also known as the Broad Tape Ticker. Read:—

Wheat, May, sold at $114\frac{1}{8}$; next sale at same price (whole numbers are not repeated); next sale at $114\frac{1}{4}$. December wheat, sold at $112\frac{3}{4}$; Corn, December, at 67; May Wheat, $114\frac{1}{4}$, etc.

Other abbreviations:—

B—Bid; A—Asked; O—Oats; L—Lard; SR—Short ribs; P—Pork; JY—July; SP—September; RPT—Repeat (the latter is used in case of a misquotation where the right price is repeated).

What speculation does *not* fix prices; at its best it is an investment based on reasoning as to future values. If the reasoning proves incorrect the speculator is the one who suffers, for he loses his investment. Crop facts, and correct reasoning founded upon them, may be gained by the use of an efficient advisory service.

Manipulation is never long effective on the market as a whole, and well informed individuals may not only avoid being caught in its misleading trend but can even take advantage of it by anticipating the reaction which is certain to succeed.

Essential—Correct information.

Keep in close touch with the Chicago Board of Trade through some member of long standing and wide reputation, and your interests are likely to be cared for with a loyalty and efficiency whose proof lies not in words but in the check you can draw against your account.

The finest example of commercial stability and courage which this generation has seen was offered by the Chicago Board of Trade when the war storm broke in 1914 and finance found that her credit foundation had sunk out of sight. All exchanges other than grain closed throughout the world, but the hunger-value of wheat kept Chicago's door open and we have ever since been feeding the battle heroes and their orphans at an average rate of a million bushels a day.

This business did more than anything else to preserve American commerce from demoralization and was the basis for the country's subsequent prosperity.

A good broker's first desire when a new customer writes to the office is to learn something of that customer's personality. No two traders think quite alike, no two are in exactly the same financial position. As a doctor makes slight changes in treatment for different patients though they have the same ailment, so a conscientious broker strives to make each individual trader's needs and the varied possibilities of the market situation meet at points of profit. The longer, the more frequent and the more personal your letters to him are, the better he likes it; he considers himself your partner and can work to best advantage when he has such a partner's full co-operation.

(*The next instalment will be how to choose and how to use your broker.*)

Wheat Prospects in June

By P. S. KRECKER

JUNE is usually a poor month for the bulls in the wheat market. Analysis of the price movements of wheat for a period of years discloses that values more frequently are below than above normal in this month and that they at times reach the lowest range of the year. Last year the market suffered a progressive decline in June. The same was the case two years ago and records of previous seasons show that these two instances cited were not exceptional. There are several reasons why it should be expected that wheat values will be at a low ebb at this time of year. The new crop is always in the making and weather conditions during the month ordinarily are favorable to growing crops. Exporters as a rule are slow buyers in June because they wish to wait for new crop developments, not to mention the obvious fact that export requirements for the season should be pretty well filled by this time.

Not only in North America but over the whole northern hemisphere, which embraces nearly all of the important wheat countries of the world, new crops are in the making, so that it is perfectly natural that wheat should enter into a period of hesitation and decline. On the other hand there always is the possibility of belated crop scares, although as far as winter wheat is concerned, the worst stages of the crop scare period have been passed. Poor threshing returns are a possibility as summer wears on, and the Spring wheat crop invariably keeps the trade on the *qui vive* until harvested. When a real scare of this sort develops wheat may soar to approximately the highest levels of the year in June. The years 1908-1909 and 1911-1912 were such periods of high prices in June.

Besides the ordinary factors, wheat has been depressed this year by the peace propaganda. The possibility of a cessation of war has been discussed and its probable effects exaggerated to a degree that has checked speculative demand. The public prefers to wait developments before jumping into the wheat market. It cannot be said that peace prospects have brightened or that hopes of a speedy termination of the war have been justified by recent events. To cite a comparatively small matter, the British government is known recently to have placed orders in the United States for several millions of winter overcoats for its soldiers and a vast quantity of woolen blankets. Another reason for the coyness of the public is the disappointment they experienced in the early Spring. They overbought the market and refused to take profits when it advanced 30 cents in a sustained upward movement, although such a rise should have satisfied the most ambitious bull. The result was that when the bull campaign collapsed, outsiders were left holding the bag. Now they are waiting for a clearer view of the future before plunging into the market again.

As this is written prior to publication of the government's June report on crop conditions, no comment can be made on the exhibit that makes. Whatever the forthcoming yield may be the carry-over from the previous crop is bound to be an important price-making factor. The government estimates that 70,000,000 bushels of wheat out of last summer's crop was fed to livestock on farms. Bread and seed requirements are privately estimated at 625,000,000 bushels while it is doubted that exports from the United States will exceed 250,000,000 bushels this season. We thus have accounted for 945,000,000 bushels out of the billion bushel crop. Counting carry-over from the previous year, it is figured that supplies at the beginning of the season totalled 1,055,000,000 bushels, and deducting probable consumption there would remain something like 110,000,000 bushels for the carry-over at the end of the current season. Should the total wheat crop of the United States not exceed 750,000,000 bushels, it is obvious that the export surplus of the United States next season will be very small. A better estimate of

this surplus will be possible when the size of the yield can be gauged more accurately than at this writing.

It is worth while noting that meanwhile the export movement is well sustained. For the four weeks of May shipments from North America were 41,000,000 bushels or an average of more than 10,000,000 bushels a week. If exports continue at the recent rate it will be easily possible that the grand total from North America will reach 450,000,000 bushels. European prospects continue obscure. The outlook for crops is not of the best, judging from advices reaching this side. The facts of the restriction of wheat producing areas and of the scarcity of labor to till the fields and reap the harvests are too well known to require comment. It may be noted, however, that the scarcity of available labor is becoming more acute instead of being relieved as the war progresses. The theatre of war has broadened since last summer and supplies then available for importing countries have been cut off. Everything points to a shortage of wheat as well as other foods which will continue and become progressively worse. It is safe then to assume that export movements will continue on a large scale and that demand will be accelerated as time elapses.

While exports are going out in goodly volume receipts are piling up rapidly and it is apparent that holders of old wheat are turning their grain loose. Elevators are full and mill demand is slack, this combination of bearish conditions operating against values at the moment. Harvesting has begun in the southwest and will be in full blast by the time this article is published. It is matter of comment among authorities that Oklahoma, where wheat is being cut now, does not run true to form, to borrow a racing phrase. Past records show that condition figures are not always an index of what that state will do in harvest time. The almost unaccountable variation in Oklahoma's performances is explained variously by different authorities. It is pointed out that Oklahoma is virgin soil and normally produces heavily per acre. Another reason advanced is that seed shows variation. It will be interesting to observe how Oklahoma fulfills promise this season. This has been very bad. Almost unbelievably poor reports have been received. There has been talk of 50 per cent damage in localities, chiefly on account of green bug but also from Hessian fly. Yet grain experts are not drawing any positive conclusions until threshing returns are at hand.

In the foreign field developments have not been important. Smaller acreage in Australia has been confirmed but reserves are very large.

Argentine expectations are for a larger acreage than last year. Weather conditions have been favorable for planting and farmers are busy. Elsewhere early prospects for reduced wheat yields compared with last year have not changed.

Uncertain Outlook for Cotton

BY C. T. REVERE

WHEN it comes to evolving market epigrams furbished with erudite polysyllables, Theodore H. Price has no peer in the cotton trade. One is particularly struck by a new verbal discovery emitted by Mr. Price in the issue of *Commerce and Finance,* published May 31. Mr. Price says that the market appears to be rapidly moving toward what may be described as "the zone of imaginative influence."

The cotton market, as well as any other speculative organization, will be indebted to Mr. Price for putting into words something that it has vaguely tried to express ever since fluctuations have resulted from the hopes and fears of market operators.

Cotton indeed is entering "the zone of imaginative influence." To many it looks as if it had been in that locality for some time. The period of crop development, together with the continual attempt to figure out consumption, calls for an exercise of the imaginative faculty which has been highly developed in the cotton trade. The customary complaints from the South regarding crop outlook are frequently phrased in language that is picturesque and compelling.

The first Government crop report of the season was issued at 11 o'clock on June 1. It placed the condition at 77.5 against a condition of 80 last year, a condition of 74.3 for the bumper crop season of 1914, and a 10-year average of 79.8. The trade had been looking for a condition around or above 80. In fact, the average of the figures issued by eight or ten private statisticians indicated a showing on about that basis.

It was to be expected, therefore, that a condition probably 3 points below anticipations, and more than 2 points under the 10-year average, would cause a sharp rise in prices. This failed to take place. There was a little spurt, caused by purely local buying, and then the market sagged under the weight of attempts to take profits. The decline which has taken place since the issuance of the report, up to the present writing, shows a loss of nearly 80 points, or about $4 per bale from the high level reached early in May.

The weakness of the market on the Government report may be ascribed first to the evident skepticism of the trade regarding the accuracy of the Government figures as affording a true reflection of the status of the cotton crop; another factor also was the improvement that has taken place in the crop since the compilation of the report on May 25.

It may also be assumed that the trade did not overlook the fact that in 1914 the June condition was 74.3, yet even that did not interfere with the production of a crop around 16,500,000 bales.

The Department of Agriculture evidently paid too much attention to talk of drouth in the Eastern part of the cotton belt. Time after time these complaints of dry weather in May have influenced the Washington condition figures, in the face of precedent which shows that every big crop has been produced after a dry May. The drouth may be so severe that the germination of seed is interfered with, but all the time lost by replanting and tardy germination is made up by the superior condition of the soil, its freedom from weeds, and other injurious factors that are produced by a wet season in May. Consequently, in spite of the fact that the condition figures issued on June 1 are well below the 10-year average, they do not necessarily mean a short crop, and the trade itself has taken this view.

No guess as to the indicated crop can be made until the publication of the Government average figures, which will be issued on July 1. There is a disposition now to look for an increase in acreage of about 10 per cent., which would bring the total acreage up to about 35,000,000 acres.

As one close student of the cotton situation remarks: "Every man has a right to his own conclusion as to when the war will end and also he can make his own figures on the present acreage of cotton growth. Also every man is entitled to his own guess as to the acreage and yield of the present season." It is impossible, however, to ignore the statistical facts, unless one is prepared to pay the penalty for misrepresentation or miscalculation.

The reverse of the British fleet in the recent naval battle is likely to be given a varying construction. Some will assume that it will mean an early ending of the war, but this view is hardly logical unless it may also be assumed that Great Britain's naval power had been seriously crippled, and that the Entente Powers will be more willing, for this reason, to listen to Germany's overtures for peace.

The outlook is clouded by more than the usual uncertainty, and no decided price movement is foreshadowed unless crop conditions take a decided turn one way or the other, or military developments indicate an early ending of the European conflict.

Wall Street Jottings

Canadian Bonds for U. S. Investors

A circular describing some attractive Canadian Government and Municipal debentures particularly suitable for investors in the United States, has been issued by Messrs. A. E. Ames & Co., 53 King Street, West, Toronto, Canada. Particular attention is called to the City of Montreal Gold Bonds, which are offered to yield 5%. Copies of this circular will be sent only on mention of the MAGAZINE OF WALL STREET.

An Attractive Bond

A bond which is described as the next safest investment to a United States Government Bond, is being offered by Messrs. Noyes, Merriman & Co., 27 William Street, New York, at a price to yield over 6%. A circular detailing the attractive features of this bond will be mailed upon request for letter A1, and mention of the MAGAZINE OF WALL STREET.

"White Coal" Bonds

Messrs. A. H. Bickmore & Co., 111 Broadway, New York, are issuing booklets descriptive of bonds founded on the properties of an established company operating successful hydro-electric utility plants. The booklet will be sent upon request for booklet MW, and MW 200.

Bonds on Partial Payments

William R. Compton & Company have issued a booklet descriptive of their method of selling bonds on the partial payment plan with an initial payment of as low as $10 per $100 bond. This house specializes in municipal bonds for savings institutions and under the partial payment plan makes available to the small investor the same securities it sells to the savings banks.

Kapo Mfg. Co.

The Kapo Manufacturing Co. reports in a wire received by Carroll Felter & Co. that a large European government has placed sample order for Kapo garments to be used in navy. Samples have been shipped. For month of May, Kapo Manufacturing Co. has opened up one hundred and fifty new accounts from dealers east of St. Paul.

For June Investment

Merrill, Lynch & Co., 7 Wall street, New York, have issued their June Investment List describing many attractive investments in high grade municipal railroad and industrial bonds, as well as investment stocks yielding from 6.36% to 7.22%. Copies will be mailed gratis upon mention of THE MAGAZINE OF WALL STREET.

Public Utility Securities

N. W. Halsey & Company. 49 Wall Street New York, have compiled for the benefit of conservative investors a selected list of public utility issues which they are selling to banks. In writing kindly mention The Magazine of Wall Street.

United Western Oil Company

The United Western Oil Company has just acquired another property in the McKittrick Field of California. The Company now owns two properties in California and three properties in Wyoming and has a production of about five thousand barrels per month.

The United Western is also negotiating for the purchase of another property in the McKittrick Field of California, which will double its production. The total number of acres owned under lease by the Company at this time is 12,620 acres.

War Loans and War Finance

The Mechanics & Metals National Bank of New York has published a booklet of 50 pages, bearing the title "War Loans and War Finance." It contains a record of the cost of the war in Europe, together with a summary of the permanent loans that have been made, and statistics of the debt, past and present, of the nations at war.

Franklin Trust Co.

J. C. Traphagen, a vice-president of the Standard Statistics Co., has been appointed assistant secretary of the Franklin Trust Co., where he will advise the clients of the company in the selection of investments.

Check Collection Plan

The Mechanics & Metals National Bank of New York City has prepared a digest of the country-wide check collection plan, that is to be put into effect by the Federal Reserve Board on July 15. It is in pamphlet form, and shows how the project is expected to operate by which the facilities of the Federal Reserve Banks are offered for a universal collection of bank checks.

The pamphlet of the Mechanics & Metals Bank seeks to analyze the method by which this will be brought about, and is prepared expressly for those who have found difficulty in gaining a full knowledge of the Federal Reserve Board's check collection project.

Cities Service

Henry L. Doherty & Co., 60 Wall Street, are issuing a circular on Cities Service Co., which, in addition to other valuable data, gives the latest operating results of the company's subsidiaries, recent oil developments and facts appearing in the 1915 annual report. It may be had upon application and mention of this publication.

United Western Oil

The United Western Oil Company announces that John W. Considine of Sullivan & Considine, Seattle, has acquired a large interest in the company and has been elected vice-president and director.

Vacuum Gas and Oil Company

Fieldsteel & Company announce that the Vacuum Gas & Oil Company has increased its holdings by about 1,600 acres, of which 500 adjoin the territory at Merlin, where two gas wells have recently been opened up. A new booklet on this property can be obtained by addressing Fieldsteel & Company, at 50 Broad street, New York, and mentioning THE MAGAZINE OF WALL STREET.

New Firm Name

The investment bond business of Beyer & Co., 120 Broadway, New York, will hereafter be carried on under the name and style of E. F. Combs & Co. Mr. E. F. Combs was associated with the former firm since its inception in 1911. The firm will continue to specialize in $100 bonds. Mr. R. H. Woods, who had been associated with Beyer & Co. since 1912, has also been admitted to full partnership in the new firm.

Book Reviews

These books are for sale by THE MAGAZINE OF WALL STREET. Prompt attention will be accorded all orders.

THE WEALTH AND INCOME OF THE PEOPLE OF THE UNITED STATES

By Willford Isbell King. (Price, $1.50 postpaid.) For sale by The Magazine of Wall Street.

WHY are some of the people so very rich and others so very poor? If wealth and income were more equally distributed could every one live in luxury? Why are the residents of an arid region like Nevada, prosperous, while the inhabitants of the fertile valley of the Ganges are in dire poverty? Are we coming more and more under the domination of private corporations? Will the condition of the working class become better or worse as time goes on?"

The foregoing questions indicate the purpose and scope of the new book whose title heads this review, written by Willford Isbell King, Ph.D., Instructor in Statistics in the University of Wisconsin. Upon these topics the author directs the light of unemotional statistics but the subjects are discussed in an untechnical manner.

After defining the meaning of the word "wealth," the author takes up the changes in the social wealth of the American people. To the question "Is the average American of today as richly endowed with the gifts of nature as was the average American of a quarter of a century ago?" the writer replies emphatically, "No." He says: "The city man has more crowded residence quarters; our supply of farm land has not quite kept pace with our population; our ranges have diminished greatly in absolute area, and, to a much greater extent when considered relatively to population; our hunting grounds have all but disappeared; our forest area per capita has become insignificant as compared to that possessed by the Americans of a century since; and our mineral resources are diminishing steadily and surely." But the author goes on to show that there are many recompenses for the loss of freedom of field and forest.

The chapter on the Distribution of Income Among Families will probably be read with as much general interest as any in the book, since it touches a point vital to all.

The work is well illustrated with graphics and tables.

VOTING TRUSTS

By Harry A. Cushing of the New York Bar. (Price, $1.56 postpaid.) For sale by The Magazine of Wall Street.

A VERY carefully prepared volume on the development of the voting trust idea and why it came into more or less general use. The advantages and disadvantages of this form of corporate control are carefully gone into as well as the laws governing same. Many examples of the various forms of voting trusts are given which should prove of interest to the layman as well as the student of corporation law.

When it is considered that such railroad systems as Erie, Reading, Baltimore & Ohio, Chesapeake & Ohio, Seaboard Air Line, Northern Pacific, and many other important corporations have all in the past been controlled by voting trusts the importance of this method can readily be appreciated. A very comprehensive idea of the entire matter will be obtained by a careful reading of Mr. Cushing's book.